

FINANCIAL TIMES

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Pension squeeze
Japan's ageing population

Cleaning up
New image for
Lyonnaise



Pressing cause
International
Youth



TOMORROW'S
Weekend FT
China's seat
at the cinema

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Survey, Separate Section

World Business Newspaper

FRIDAY FEBRUARY 2 1996

Seychelles law is branded a money launderers' charter

A new law enacted by the Seychelles government has been branded a money launderers' charter. The condemnation came yesterday from the Financial Action Task Force, which includes officials from 26 countries as well as the European Commission. At issue is the Indian Ocean islands' Economic Development Act, which says investors bringing in at least \$10m can get immunity from prosecution for all criminal offences. Page 14

Toys "R" Us, the world's biggest toys chain, warned that fourth-quarter and full-year profits would be lower than the previous year's. The company will also take a \$270m after-tax, fourth-quarter charge for restructuring, including shutting or franchising 25 stores. Thousands of slow-selling lines will be trimmed from remaining stores as Toys "R" Us tackles the tough competition and poor profits hitting US retailers. Page 15

Sri Lanka bomb toll rises: Police said at least 72 people were killed in Wednesday's truck bomb blast at Colombo's central bank building. Forty of the dead were central bank staff. Sri Lankan leaders acknowledged that the attack could deter foreign investors. Page 7

Gold shines in London and New York: Speculative investors poured fresh funds into gold futures in New York, while London trade pushed the metal through the \$410 barrier. The London gold market was fixed \$4.60 higher at the close to \$410.20 a troy ounce. Yesterday's price rise was spurred by Canada's Bank of Canada announcement that it was reducing its hedging position by 100 tonnes. Gold has risen steadily since the beginning of the year and traders believe it could go higher still. Page 21

Serbs 'not co-operating': Richard Goldstone, chief prosecutor of the UN war crimes tribunal for the former Yugoslavia, accused Serbia of failing to co-operate. Croatia, under growing pressure to hand over indicted war criminals, is changing a law banning extradition of its citizens in a possible sign of compliance. Sarajevo clears barrier. Page 3

Spain firm on Repsol: Spain's socialist government refused to offer more shares in state oil, gas and chemicals group Repsol despite heavy investor demand. Economy minister, Pedro Solbes, said Repsol was "important and strategic" and a 10 per cent government stake was "very modest". Page 15; Lex, Page 14

French rates cut: The Bank of France reduced the intervention rate - which sets the floor for money market rates - to 4.05 per cent from 4.2 per cent. Page 3; Bundesbank eases rate, Page 2; Lex, Page 14

China rejects piracy claim: Beijing rejected US accusations of intellectual property rights piracy and pointed to successes in a recent crackdown. Officials were reacting to Washington's warning that it could impose sanctions and block Beijing's bid to join the World Trade Organisation unless China delivered on promises to fight copyright infringements.

Vietnam purges 'cultural poison': Vietnamese police dismantled billboards and painted over advertisements for Sony, Kodak and other foreign goods as the government stepped up its campaign against "social evils and cultural sons". Page 14

Premier appointed: Ex-communist Wlodzimierz Cimoszewicz was appointed Poland's new prime minister, replacing Jozef Oleksy, who quit last week amid charges that he had spied for Russia.

Kenya transport chief suspended: Kenya's most senior transport civil servant, Sospeter Arasa, was suspended in a widening government investigation into alleged evasion of customs duties at the port of Mombasa.

Senegal privatisation move: Senegal's parliament gave the green light to privatisation of state telecommunications company Sonatel, with 67 per cent of the shares going to the public. The state will retain a 33 per cent stake in the company.

South Korea goes to Wales: South Korea's first investment in Wales will be announced on Monday. Engineering group Halla is putting about £17m (\$25.7m) into a new factory at Merthyr Tydfil in the south of the country. Page 9

STOCK MARKET INDICES	
New York	11,820
Dow Jones Ind Av	5,383.28 (+11.82)
NASDAQ Composite	1,084.74 (+4.59)
Europe and Far East	
CAC 40	2,024.09 (+3.06)
DAX	2,493.26 (+10.88)
FT-SE 100	3,752.8 (-4.5)
Nikkei	20,935.12 (+122.38)

US LONGTERM RATES	
Federal Funds	5 1/8%
3-month T-bill	5.00%
6-month T-bill	5.00%
1-year T-bill	5.00%
2-year T-bill	5.00%
3-year T-bill	5.00%
5-year T-bill	5.00%
10-year T-bill	5.00%
30-year T-bill	5.00%

OTHER RATES	
UK 3-month Interbank	5 1/8% (base)
UK 10 yr Gilt	107 1/2 (106.5)
France 10 yr OAT	106.17 (105.3)
Germany 10 yr Bund	104.82 (104.78)
Japan 10 yr JGB	110.8 (111.05)

NORTH SEA OIL (Argus)	
Brent 15-day (Mar)	\$16.89 (\$16.48)

Compromise choice is third premier in under four years ■ Markets positive

Former bank chief asked to head new Italian government

By Robert Graham in Rome



Antonio Maccanico, in the forefront, leaves President Scalfaro's office after being asked to head the Italian government

President Oscar Luigi Scalfaro yesterday asked Mr Antonio Maccanico, one of Italy's most formidable behind-the-scenes political negotiators, to head the country's 55th postwar government with a commitment to carry out major constitutional reforms.

The choice of the 71-year-old former chairman of Mediobanca, the Milan merchant bank, to be Italy's third premier in less than four years was a last-minute compromise to end a damaging three-week crisis since the resignation of Mr Lamberto Dini on January 12.

Mr Maccanico, who is not an elected politician, ran the prime minister's office in the Ciampi government in 1993-94.

He will now enter talks with political leaders and potential ministers over the next few days to see whether he can form a government capable of lasting some 18 months - the time needed to enact the constitutional reforms.

In consultations with Mr Scalfaro since Mr Dini resigned, the country's main parties pledged to support the introduction of a form of presidential government, as yet poorly defined but modelled on the French system while adapted to Italy's recent tradition of a strong parliamentary system. His government is likely to be

a mixture of technocrats and politicians capable of commanding broad-based parliamentary support.

Despite the enormous difficulties facing Mr Maccanico, the financial markets reacted positively, with the lira gaining against all the main currencies, closing at L1,057 against the D-Mark compared with L1,072 on Wednesday.

"Fundamental for this government is a serious, solid and long-lasting agreement between the

various political groups that takes as its point of departure the outline agreements that emerged during the (recent) consultations," Mr Maccanico said after accepting the president's invitation to explore the formation of a government.

"This agreement," he added, "must aim at creating a substantial degree of regional autonomy inspired by federalist principles, combined with a notable strengthening of the powers of the executive via popular election of the head of state, while respecting the traditions of parliamentary democracy."

The premier-designate also promised to give a high priority

to tackling Italy's public finances and fighting inflation.

Mr Maccanico's appointment has been endorsed by the Party of the Democratic Left (PDS), the dominant partner in the centre-left alliance, as well as by the entire rightwing coalition headed by former premier Silvio Berlusconi. He will be the first premier-elect since 1946 to seek to form a government with the backing of both the left and right.

The PDS fought hard to retain a second term for Mr Dini, whose future is now unclear. This was vetoed by Mr Gianfranco Fini, leader of the rightwing National Alliance, who demanded a clean break with the Dini administration which was backed only by the centre-left.

It was Mr Fini who insisted that a presidential system of government be at the heart of the debate on constitutional reform. Although he dropped his more extreme demands, he emerged clearly strengthened from this crisis, while retaining his alliance with Mr Berlusconi.

In contrast Mr Massimo D'Alema, the PDS leader, faced sharp criticism within the centre-left alliance for doing a deal with the right.

The programme of the new government has to be put to a vote of confidence in parliament, but this is unlikely to happen for at least two weeks.

Decline in US index points to economic weakness

By Michael Prowse in Washington

A closely watched index of US manufacturing activity has dropped to levels that have previously signalled recession, figures showed yesterday.

The Purchasing Managers' Index fell from an already weak 46 per cent in December to 44.2 per cent last month, the lowest level since April 1991, when the economy was deep in recession.

The index has been below 50 per cent - the threshold for expansion in manufacturing - for the past six months. Readings below 44.5 per cent typically indicate the whole economy is contracting, although last month's data may have been artificially depressed by unusually cold weather on the east coast.

The reaction on Wall Street was cautious, with share and bond prices down modestly by midday. The Clinton administration maintains that the economic outlook remains encouraging for 1996, an election year.

Separate figures showed little evidence of upward pressure on prices. The Labour Department said consumer prices rose 0.1 per cent in December and by 2.5 per cent on an annual basis. In the final quarter of last year, inflation averaged 2 per cent.

"Recession is now the dominant risk," said Mr David Reesler, chief economist at Nomura Securities in New York. He said it was too early to be sure the economy was heading for a sustained contraction, but data were consistent with a cyclical peak late in the fourth quarter of last year.

However, the consensus view on Wall Street is that the US will avoid recession this year. Growth is seen as having slowed temporarily to an annualised rate of about 1.5 per cent and is expected to rebound within a few months.

On Wednesday, the Federal Reserve signalled its concern about deteriorating growth prospects by cutting short-term

Continued on Page 14
Further interest rate cuts prompt nervous reactions, Page 22; Currencies, Page 23; World Stocks, Page 32

Poland set to sell 49% stake in telecoms group

By Christopher Bobinski in Warsaw and Anthony Robinson in London

State move will open up largest market in central Europe

The Polish government is preparing to privatise up to 49 per cent of state-owned Telekomunikacja Polska (TPSA) in the next two years, according to Mr Andrzej Zieliński, the telecommunications minister.

The country also awarded two mobile telephone licences on the European GSM digital standard worth about \$2bn yesterday in a move which will open up further the largest telecoms market in central Europe.

Mr Zieliński said 51 per cent of TPSA would probably stay in state hands with equity sales of the rest taking place in 1997 or 1998. The government had not yet decided whether to offer shares to strategic investors or sell them

through the Warsaw stock exchange. He said: "Decisions on the mode of privatisation will certainly be made this year."

A Dutch-Swiss consortium paid \$1.45bn for a 27 per cent stake in SPT, the Czech telecoms company, last June while Magyarom, a US-German consortium paid \$852m in December for a further 37 per cent stake in Matav, the Hungarian telecoms group, after paying \$87m for an initial 30 per cent stake in 1993.

Mr Zieliński said only a quarter of the Polish population: Poland has over 38.5m people, although 40 per cent live in small towns and rural areas, making it less densely populated than the Czech Republic or Hungary.

Last year TPSA reported a net profit of 865m zlotys (\$315m) on net sales of 5bn zlotys. The company plans to connect 1m new subscribers this year after adding 721,000 lines in 1995 and 690,300 in 1994. The number of subscribers was 5.7m by the end of 1995.

The government also issued 136 licences mainly to small private operators of local networks. Private operators have only installed about 10,000 lines to date but intend to install 100,000 by the end of this year.

RP Telekom, the largest private operator, in which a local group has linked up with Telia, Sweden's state-owned national operator, plans to put in 350,000 lines in the next three years.

Mr Zieliński said he hoped that up to 1m subscribers would be linked up by privately operated local companies by the end of the century. By then TPSA should have 10m subscribers.

Current telecoms law gives TPSA a monopoly on international connections but allows for privately owned local networks and regional link-ups. The company would keep its monopoly on inter-city connections until at least 1999, Mr Zieliński said.

But competition will come from private operators, which include the listed Optimum company, and the mobile telephone network.

Mobile phone licences, Page 16

Celltech shares drop after asthma drug research halted

By Daniel Green in London

A shiver went through the stock market's biotechnology sector yesterday when Celltech abandoned research on a drug tipped to be its biggest money spinner - a move that cut its share price by almost a quarter.

The drug for asthma sufferers had been on trial since 1993. In the latest tests it was given to 85 patients who responded no better than to drugs already available.

Berkshire-based Celltech and its development partner Merck, said that with no "significant therapeutic advance" it was not worth proceeding with trials.

The drug, code-named CDP 840, was one of Celltech's most advanced. Scheduled for launch at the end of the decade, it had potential annual sales of \$500m-\$1bn, according to London stockbroker Lehman Brothers.

Its failure reduces the number of advanced drugs in Celltech's portfolio to four.

Celltech shares fell 163p, or 24 per cent, to 518p. Others, such as British Biotech, Scotia and Chiroscience, also fell.

"Milestone" payments to Celltech by Merck, made as the research progressed, have been suspended pending the identification of a "second generation" version of the drug.

Merck has already paid Celltech £7.5m (\$11.5m) in a deal that provides for payments of up to \$31.5m plus royalties on sales.

Mr Peter Fellner, Celltech's chief executive, said the programme would be delayed by about 18 months.

The falls in share prices mark the first upset for the biotechnology sector after almost a year of good news. Biotechnology shares were among the best performers of the past 12 months. Many

share prices more than doubled, while the UK sector's biggest company British Biotech quadrupled in value to more than £1bn.

One analyst said the share falls were "healthy" and a reminder of the risks faced by companies. Mr Fellner said developing new drugs was risky and failures were always possible. This justified Celltech's strategy of finding pharmaceuticals company partners which pay fees to Celltech in return for marketing rights.

Some others in the sector, including British Biotech, have kept such partnerships to a minimum, preferring to keep the potential profits for themselves.

The high-risk route has led to high rewards for some - California's Amgen is a 16-year-old company which has joined the world top 20 pharmaceuticals companies. It has produced disasters - most notably in the case of Syngene, a Colorado company valued at more than \$1bn before its only significant drug, for septic shock, failed in 1994.

County Durham welcomes



TRW Automotive
Occupant Restraint Systems

TRW's announcement that it is to construct its European airbag inflator and assembly plant on a 15-acre greenfield site at Peterlee. County Durham is the latest in a long line of investment success in County Durham and the North East of England.

TRW's investment follows recent projects announced by Fujitsu, Hutchinson Orange PCS, Neyr Plastiques and Dong Jin, totalling over £860 million and creating 1300 jobs in the county.

If you need a first-class site or facility for your UK or European business operations, call Phil Eadon today or fax him for further information on why County Durham is the ideal location for your investment. County Durham Development Company, County Hall, Durham DH1 5UT, England. Tel: +44 191 383 2000. Fax +44 191 386 2974.

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Camdessus visit raises Russia's hopes of loan

With politics driving the process; no one at the IMF wants to lose Russia

Mr Michel Camdessus, head of the International Monetary Fund, is reported to be planning to visit Moscow later this month, heightening expectations that the IMF will grant Russia a \$9bn loan sometime this spring.

The Russian news agency Itar-Tass, which often acts as mouthpiece for the Russian government, said yesterday that Mr Camdessus, who met Mr Victor Chernomyrdin, the Russian premier, this week in Washington, would come to Moscow in the second half of February.

IMF officials in Moscow would not confirm the report, but the quasi-official announcement was the latest in a number of strong signals over the past few days that Russia and the Fund will soon reach a deal.

Earlier this week, US president Bill Clinton predicted that Russia would receive the three-year loan this spring and Russian authorities said on Wednesday they had reached a "broad agreement" on an economic programme with the IMF.

Yet despite these strong indications of progress, the IMF's negotiations with Moscow are taking place against an increasingly hostile domestic political and economic backdrop.

Since the beginning of the year Mr Boris Yeltsin, the Russian president, has systematically purged reformers from his government and replaced them with hardliners.

Most dramatically, he sacked Mr Anatoly Chubais, the most prominent market reformer in the cabinet, on the day an IMF team arrived in Moscow for talks.

Mr Yeltsin followed these personnel changes with an equally sharp substantive shift, making a series of new spending pledges last week which, if fully implemented, could add at least \$12bn to planned government spending this year.

But regardless of the mounting evidence that the Kremlin, which fears a Communist victory in June presidential elections, plans a spring spending spree which could boost inflation and weaken the rouble, most analysts believe that political pressures will compel the IMF to grant Russia a new loan.

"Above all, it is politics that is driving the process," said Mr Jonathan Hoffman, chief economist at CS First Boston. "Everything points to a favourable IMF decision. No one in the IMF or in the G7 wants to be accused of losing Russia."



Michel Camdessus (left) with Russian prime minister Victor Chernomyrdin, on a visit to Moscow last year which led to a controversial decision to grant Russia a \$9.25bn loan

One measure of the IMF's eagerness to back Mr Yeltsin and his campaign is the fund's willingness to countenance high spending in the first half of this year, during the election campaign.

"Unlike other IMF programmes, the Russian programme is designed to accommodate a certain amount of pre-election spending," said Mr Jochem Wermuth, a western economist who works in the Russian finance ministry. "It is different from earlier Russian IMF programmes, where you squeeze spending in the first half of the year and then let go a little."

But Russian and western economists said the IMF would also seek to impose some tough conditions on Moscow. The fund has set out a number of actions which the Russian government must undertake before it receives the loan. These include reversing presidential decrees which could restrict trade, and maintaining tight fiscal and monetary policies.

Russia's leading reformers have urged the IMF to be tough with the Kremlin and grant a loan only if the government continues last year's reform policies. Even Mr Chubais, who has refrained from public criticism of the government despite the harsh manner in which he was dismissed, warned yesterday that it was not yet clear if Russia would continue to pursue reforms or if the government would reverse its course.

But for Mr Yeltsin, the report that Mr Camdessus is coming to town was the best possible omen. It was a personal visit to Moscow from the IMF boss last year which cleared the way for the fund's equally controversial decision to grant Russia a \$9.25bn loan.

The problem for the Commission has been looking at all these schemes and trying to assess whether they have any effect on production costs," said a Brussels official. The Commission wants to be sure they do not lower prices, before approving the aid.

Negotiations on the aid package also went through an awkward patch at the end of last year, when the UK government tried to block state aid for Irish Steel.

Christia Freeland

Aid deal for Jaguar could embarrass London

By Emma Tucker in Brussels and John Griffiths in London

The British government and the European Commission yesterday edged closer to agreement on a state aid package for Jaguar, the luxury car maker, following a meeting between Mr Nick Scheele, the chairman of Jaguar, and Mr Karel Van Miert, the competition commissioner.

Conclusion of a deal, while welcome, would come at an

embarrassing time for the UK government, which this week unleashed a furious attack on the Commission for approving a Pta87bn (\$713m) state aid package to Iberia, the Spanish national airline.

Officials said the two sides had whittled down the gap between the \$80m (\$123m) the UK government is asking for, and what Brussels is prepared to approve, to an almost mutually acceptable level.

Mr Scheele last night

described the meeting as "helpful". He said: "The Commission now fully understands both the timing and the totality of the programme and is in full possession of all the facts needed to make a decision." He indicated that he expected it to come within the next three to four weeks.

A British official confirmed: "We are close to a conclusion. We have not wholly bridged the gap between what we want and what the Commission will

approve, but the gap is much smaller than it was yesterday."

The British government argues that the \$80m will enable Ford, owner of the Midlands-based car maker, to manufacture the new X300 Jaguar sports saloon in the UK rather than in the US.

Discussions between Brussels and the British government have been knotty, mainly because of the complexity of the deal. The core of

the \$80m package is \$48m in regional assistance which throws up relatively few problems for the competition officials examining the case.

The problem - and the reason negotiations have lasted more than eight months - concerns the rest of the aid, consisting of smaller schemes covering diverse areas, including plans to reclaim derelict land in the West Midlands, training programmes, and local environmental improvements.

The problem for the Commission has been looking at all these schemes and trying to assess whether they have any effect on production costs," said a Brussels official. The Commission wants to be sure they do not lower prices, before approving the aid.

Negotiations on the aid package also went through an awkward patch at the end of last year, when the UK government tried to block state aid for Irish Steel.

Would market investors put Pta87bn in Iberia?

Airlines, financial analysts and consumer groups yesterday heaped scorn on the European Commission's assertion that private investors would have been prepared to invest large sums in Iberia, the Spanish airline. The Commission said this week it had decided to allow Iberia to receive a subsidy of about Pta87bn (\$710m), but that this should not be regarded as state aid. The Commission said the investment was justified on the "market test" principle. This meant private investors would have been prepared to back Iberia in the same way.

Mr John Parr, director general of the Air Transport Users' Council, a UK consumers' body, said: "If this is being done on the market investor principle, where are the private investors? Why isn't Iberia being privatised?"

Michael Skapinker on Brussels controversy over the Spanish airline

The Commission justified its decision by saying that the sale of businesses by Iberia reduced the likelihood that it would make damaging future losses. The airline is selling its holding in Aerolíneas Argentinas.

Iberia has pledged that, by 1999, it will have 28 per cent fewer workers than it had in 1991. Its fleet size will be reduced to 104 aircraft in 1997 from 130 in 1993.

Airline analysts said they had not yet seen the consultants' report on Iberia, which formed the basis for the Commission's decision.

But they found it hard to see how the Commission would justify the market investor principle.

Mr Chris Avery, aviation

analyst at Paribas Capital Markets, said: "I couldn't conceive of recommending to my clients that they put money into Iberia. It's simply not on a stable enough footing. You would want to be convinced that Iberia had been turned around from being a capital eater to at least being capital neutral."

Mr Neil Kinnoch, EU transport commissioner, pointed out that the amount Iberia is being permitted was far less than the Pta130bn originally requested - although the airline will be allowed to receive Pta20bn more next year if it can show improvements in its financial performance.

Mr Charles Donald, European airlines analyst at UBS, said one way to evaluate the Commission's decision was to

imagine a privately owned airline seeking a similar sum under a rights issue.

"If KLM, British Airways or Lufthansa launched a rights issue of \$460m (\$710m), they would probably be capable of carrying it off. But that would require everyone to be convinced of the next three to four years of profitability. And I would say that they are the only three airlines in Europe at the moment that could raise that sum of money from private investors."

But he said that to compare Iberia's cash injection with what private-sector carriers could raise privately did not take account of the different size of the airlines being compared.

BA and Lufthansa in 1994

each managed about 11bn scheduled tonne kilometres - a measure of the passengers and freight they carried. The Iberia figure was 2.7bn, according to the International Air Transport Association.

By this measure, Iberia is a quarter of the size of BA and Lufthansa. To evaluate how likely Iberia would be to be able to raise Pta87bn privately, one would have to think of the reaction of private investors were BA or Lufthansa to approach them, not for the same amount, but for a sum four times as large. For BA, this would mean launching a rights issue for £1.8bn - a sum equivalent to over one third of its market capitalisation of £5bn.

Analysts say that even this

is to adopt a charitable view of Iberia's attractiveness to investors because it assumes that each of the Spanish carrier's passenger tonne kilometres is as profitable as those of BA and Lufthansa, which is far from being the case.

Mr Tim Jeans, commercial director of Ryanair, a privately-owned Irish airline, argues that allowing Iberia to receive the capital injection could also have the effect of preventing private investment going into competing, smaller airlines.

Mr Jeans says it is no coincidence that in the UK, where all carriers are privately owned, there is a thriving independent airlines sector. By contrast, in countries such as France, Portugal and Greece, where state aid to national carriers has been allowed, independent airlines find it difficult to succeed.

PM emerges from behind the scenes

Italy's new leader must look for a new constitution, writes Robert Graham in Rome

For the third time in less than four years, Italy's President Oscar Luigi Scalfaro has been obliged to resolve a serious political crisis by calling upon a non-elected figure to form a government.

In each case, the choice has been dictated by the need to find a prestigious neutral figure enjoying the broadest possible approval.

After twice recruiting from the Bank of Italy for the

Ciampi and Dini governments, Mr Scalfaro has turned to the thin ranks of the state's senior servants to ask 71-year-old Antonio Maccanico to be premier-designate.

Mr Maccanico is little known in public, but within the Italian political and economic establishment his name is a byword as a behind-the-scenes negotiator. He knows the bureaucracy and parliament backwards after a lifetime close to the centres of power.

His last post was running the prime minister's office under the Ciampi government in 1993-94, when he proved an effective policy co-ordinator.

Mr Maccanico's ministerial experience has been limited to the regional affairs portfolio in the twilight of the Christian Democrats' 1969-91 hegemony. Before that, he supervised the presidential office under San-

dro Pertini and Francesco Cossiga, having been the secretary-general of the chamber of deputies.

Throughout his life he has been close to the small Republican party and was elected a senator under their banner in the 1992-94 legislature. His lawyer's training and intimate knowledge of the constitution should serve him well in the delicate negotiations to introduce an overhaul of the state, which was the basis of yesterday's political deal to end the government crisis.

He also enjoys important contacts in the world of big business and finance as he was chairman in 1987-88 of Mediobanca, the powerful Milan merchant bank. But above all it will be his skill in bringing warring parties together that will be

most in demand in what promises to be an exacting task.

His ministerial team will have to please all the main political factions on the left and the right. Then he must produce a programme, including tough budgetary proposals, that satisfies the parties.

The agreement patched together by the main parties was achieved with Mr Scalfaro unable to delay formation of a new government any longer. But the motives of the leaders are far from lofty.

In the three weeks since Mr Lamberto Dini resigned as premier, they have embraced and discarded virtually every model of western democracy, settling eventually for an ill-defined version of France's presidential system adapted to the peculiar needs of Italy. The parties differ substantially over what the final constitu-

tional product should be.

The Party of the Democratic Left (PDS) has belatedly accepted the principle of a directly elected president, but with weak powers and offset by a strong parliament elected via a majority vote on a French style run-off. Parliament would choose the premier. The rightwing coalition, especially Mr Gianfranco Fini, National Alliance leader, wants a strong head of state to choose the premier.

The only glue to keep the new government together will be the fact that Mr Massimo D'Alema, the PDS leader, and former premier Silvio Berlusconi fear going to the polls. But delaying elections for 18 months casts a cloud over Mr Romano Prodi's leadership of the centre-left coalition. He has been excluded from negotiations on the new government.

Talks at Air France break down

Negotiations between Air France's chairman, Mr Christian Blanc, and unions representing pilots at Air France Europe, formerly known as Air Inter, broke down yesterday, Paul Abraham writes. Air France said differences between the two sides - in a dispute over cost-cutting which caused a series of strikes last year - remained so great that no agreement could be reached.

Mr Blanc has been looking to reduce pilot costs - about FF900m a year - by about 10 per cent. In 1994, the last year when figures have been published, Air France Europe pilots' average salaries were FF72,500 (\$14,600) a month, far higher than those of British Airways or Lufthansa pilots.

Mr Blanc has been looking to reduce pilot costs as part of a plan to improve Air France Europe's productivity by 30 per cent between 1995 and 1997 to return it to profitability. He said the airline would announce its next move soon, probably next week.

Air France Europe is facing pressure from increasingly aggressive local competitors such as AOM, Air Libertés and TAT, in which British Airways holds a 49 per cent stake. While it struggles with a stagnant domestic market, it must also prepare for full liberalisation in 1997. The group is expected to make a loss of FF500m in 1996, despite low fuel costs.

EUROPEAN NEWS DIGEST

Bundesbank in new rate easing

The Bundesbank yesterday cut the repo rate, considered to be the third leading interest rate in Germany, in another sign of monetary easing that partly reflects the current weakness in the German economy.

At its council meeting yesterday, the German central bank left its two key interest rates unchanged, but decided to switch from a variable tender in its money market operations, which this week yielded a repo rate of 3.4 per cent, to a fixed rate tender at a rate of 3.3 per cent for the next two weeks until the next council meeting.

The move brings the repo rate within 30 basis points of the discount rate - currently at 3 per cent - a threshold below which the likelihood of another discount rate cut increases. Whether the Bundesbank will lower interest rates further will depend to some degree on the next release of M3 money supply data this month.

German financial markets appear to accept that another interest rate cut is probable within the next few weeks. Yesterday's action was seen as a move by the Bundesbank to keep its options open. Wolfgang Münchau, Frankfurt Lex, Page 14

Over 1m miners strike in CIS

More than 1m miners went on strike yesterday in Russia and Ukraine in separate protests but on the same issue - the failure of their Commonwealth of Independent States governments to make payments of wage arrears.

Up to 600,000 Russian coalminers launched a nationwide strike yesterday which they threatened to continue today to demand payment of months of wage arrears. Russian union leaders, who said miners at 161 pits and 82 open cast mines were taking action, claim the government owes the coal sector Rbe1,000bn (\$13m).

Ukrainian miners yesterday began an indefinite nationwide strike, also to force the government to pay back wages and benefits.

The Ukrainian coalminers' strike committee said yesterday that workers at 213 of 238 pits stopped working or refused to load coal, with about 600,000 miners taking part. They also said coal imports from Poland were halted at the border. However, a ministerial spokesman for the coal industry told Interfax-Ukraine that only 85 mines were on strike. Ukraine's financially strapped government owes miners 73,000bn karbovnas (about \$43m) in back wages, with many miners claiming not to have received their salaries in six months. Matthew Kaminski, Kiev, and Christia Freeland, Moscow

Slovenia government in minority

Slovenia's coalition government yesterday lost its absolute majority in parliament with the resignation of Dr Miroslav Tjupinar, economics minister, and the formal departure from the coalition of the Associated List of Social Democrats, the successor to the Communist party.

The two remaining coalition parties, Liberal Democracy of Slovenia and the Slovene Christian Democrats, control 45 seats in the country's 90-seat lower chamber. The Associated List has 14 seats. Three other ministers belonging to the Associated List tendered their resignations last week.

Dr Tjupinar has been under pressure to quit since last November because of criticism of his handling of the restructuring of TAM, the troubled bus and truck manufacturer that was taken into state hands last year. The new minister is Mr Metod Dragonjs, a career industrialist and director of Lek, a pharmaceutical company.

The Associated List's move into opposition signals a shift to the right in Slovenian politics, and analysts say it also raises the chance that elections, which must be by the end of the year, will be brought forward. Gavin Gray, Zagreb

EB's lending rises 7.5 per cent

The European Investment Bank raised lending by 7.5 per cent in 1995 to Ecu21.4bn (\$27.2bn), Sir Brian Urwin, EIB chairman, announced yesterday.

Around Ecu18.6bn in loans was made inside the EU. The Bank also expanded its global reach, dispensing loans in South Africa, Gaza and the West Bank aid, for the first time, China and Indonesia. Other high-priority projects included the trans-European networks - road, rail, and telecommunications ventures to which the Bank raised total lending to Ecu7.3bn. The EIB is also offering a special new lending instrument - called a TENS window - which provides lengthening maturities and grace periods.

In 1995, the bank lent Ecu2.9bn to 12,000 small and medium-sized businesses, creating an estimated 45,000 jobs. It raised Ecu2.4bn in medium- and long-term borrowing on the capital markets - a lower amount than in 1994 because of substantial pre-payments on loans. Lionel Barber, Brussels

Bonn warned on high-speed train

The Transrapid, the 450kph magnetic levitation railway which the German government plans to build between Hamburg and Berlin, came under fire from the German audit commission yesterday.

The commission said there were likely to be unspecified cost overruns on the DM8.8bn (\$6.1bn) project and urged the government to carry out further studies to assess demand for the system. The report criticises the government for underestimating the costs of incorporating the Transrapid, which runs on an elevated concrete runway, into the existing railway network in Hamburg and Berlin.

The opposition Social Democrats called the project "a monstrous adventure" which was being undertaken mostly at the expense of the taxpayer.

More details are expected to emerge at a hearing of the parliamentary transport committee next Thursday. The Transrapid has the personal blessing of Chancellor Helmut Kohl, who regards it as a model of German innovation and argues that there are likely to be significant exports from the project. Japan is working on similar magnetic levitation technology, but German engineers say the Japanese are about three or four years behind. Michael Lindemann, Bonn

ECONOMIC WATCH

EU trade surplus increases

The European Union turned a first half 1994 external trade deficit of Ecu2.5bn (\$3.7bn) into a surplus of Ecu8.4bn in the first half of 1995. The six-month surplus was more than four times larger than the Ecu2bn surplus generated in the whole of 1994. Germany, France, Italy, Sweden, Finland, Austria, Denmark and Ireland all recorded trade surpluses with non-EU countries in the first half of 1995, said Eurostat, the European Commission's statistics office. The German surplus was Ecu1.2bn, followed by France with Ecu7.5bn. Italy with Ecu5.4bn, Sweden Ecu4.2bn, Finland Ecu2.5bn, Austria Ecu1.8bn, Denmark Ecu1.5bn and Ireland Ecu1.7bn. The Dutch had the largest deficit in trade with non-EU nations at Ecu1.1bn, but the figure is distorted by the large volume of goods flowing through the country's ports. Britain, which cannot claim trade distortions to anything like the same extent, ran up a deficit of Ecu9.6bn in the first half of 1995. Spain had a deficit of Ecu2.2bn, followed by Portugal with Ecu1.6bn, Greece Ecu1.5bn and Belgium and Luxembourg combined with a deficit of Ecu974m. Reuter, Luxembourg

from 4.1 per cent in January

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Niederungstrasse 1, 60318 Frankfurt am Main, Germany. Telephone +49 69 156 850, Fax +49 69 396 3481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Strauß, Colin A. Kennedy as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are The Financial Times (Europe) Ltd, London and F.T. (Germany) Advertising Ltd, London. Shareholders of the above mentioned two companies are The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennedy. Printer: Hirtzert International GmbH, Admiral-Rosenfeld-Strasse 36, 63263 Neu-Isenburg. ISSN 0174 7363. Responsible Editor: Richard Lambert, of The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Marzaglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5716 8254. Fax (01) 5716 8253. Printer: S.A. Nord Eclair, 1971 Rue de Calixte, F-91000 Evry-Courcouronnes. Editor: Richard Lambert. ISSN 1146-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegie 468 618 0688. Printer: AB Kallingsgruppen Expressen, PO Box 6007, S-550 06, Köpingsborg.
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Editor: Richard Lambert, of The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

مكتبة التأسيس

French rate cut cheers government

By Andrew Jack in Paris

The Bank of France yesterday lowered one of its key interest rates after cuts by the monetary authorities in the US and Germany. The move was welcomed by the French government as it tries to boost the economy.

The bank cut the floor intervention rate by 0.15 points to 4.05 per cent, the eighth reduction in rates since the crisis in the French franc in November last year.

Separately, a number of French banks yesterday announced cuts in their rates for consumer loans, which are subject to new tax deductions unveiled this week. This move followed cuts in the rates offered on a key government tax-free savings product on Tuesday.

While the bank is independent from the government, ministers had long called for interest rate cuts, and echoed broader concerns by the G7 group of leading global economies meeting earlier this month that interest rates needed to come down to help boost growth.

Mr Jean Arthuis, the economics and finance minister, unveiled a series of measures on Tuesday to raise levels of consumption and stimulate the housing market. The initiatives came on the same day as a broader series of structural

reforms announced by the German government.

Mr Alain Juppé, the prime minister, said the Bank's decision marked the return of "international confidence in France" which had maintained its commitment to budgetary rigour.

The latest interest rate cut followed positive comments recently from Mr Jean-Claude Trichet, governor of the central bank, about the direction French government reform policy was taking.

However, the fallout from the government's new measures continued yesterday. The high street banks had demanded a cut in the Livret tax-free savings products offered by the government before agreeing to reduce their lending rates. Mr Arthuis did so on Tuesday, reducing it by 1 per cent to 3.5 per cent.

Crédit Mutuel de Bretagne, part of the network that offers the Livret Bleu one such product, criticised the move. Mr Georges Coudray, said the cut was "too strong and too brutal".

The Post Office, the national savings bank and Crédit Mutuel previously had the exclusive right to offer Livret products. However, their strength on the savings market has been considerably weakened as a result of the interest rate cut, because the products have become less attractive.

Paris-Bordeaux: it's the Juppé à grande vitesse

David Buchan on a mayoral PM

In Bordeaux, even some of Mr Alain Juppé's supporters say privately they would not mind him losing his job as prime minister - so that he could devote more time and attention to his other job as mayor of their city.

France's practice of *cumul des mandats*, which allows politicians to hold two and sometimes three elected posts at the same time, is gradually growing more controversial, as running the country and its cities becomes more time-consuming.

Mr Juppé is in Bordeaux most weekends, holding city council meetings on a Friday or a Monday and carrying out a whirlwind of public engagements to be seen by the *Bordealais* as much as possible. With Mr Juppé's energy - and mobile phones - much can be accomplished, his Bordeaux aides point out; Bordeaux business can be done in Paris and vice versa.

But Mr Juppé's best is not good enough for the 48 per cent of *Bordealais* who, according to a mid-January poll in the *Sud-Ouest* newspaper, pronounced themselves dissatisfied with their mayor.

Under the Fifth Republic, two other prime ministers were also mayors of big cities - the Gaullist Mr Jacques Chaban-Delmas in Bordeaux and the Socialist Mr Pierre Mauroy in Lille. But both were established in their cities before they became prime minister, while as Mr Gilles Savary, the socialist leader in Bordeaux, points out: "Mr Juppé has had to install himself in Bordeaux at the same time as holding a difficult prime ministership."

In December those national difficulties spilled over into Bordeaux. Like every other large French city, it saw large demonstrations against the Juppé welfare and railway reforms. The marchers had to pick their way around piles of rubbish which municipal workers refused for nearly three weeks to collect - until Mr Juppé cancelled an outside contract for the collection of glass and returned the work to municipal collectors.

But most of the Bordeaux business community still believes Mr Juppé's presence is an asset. Two years ago it was a group of business leaders who appealed for a national politician with local connections - a thinly veiled reference to Mr Juppé, who comes from Mont-de-Marsan in the nearby forests of the Landes - to take over as mayor from the aged Mr Chaban-Delmas.

"The idea was to have another Chaban in his heyday," explains Mr Dominique Babin, chief executive of the Bordeaux Chamber of Commerce and Industry, adding that towards the end of Mr Chaban-Delmas's incredible 47-



Juppé: two camps to please

year mayoral reign "Bordeaux went to sleep a hit".

Just as it was Mr Chaban-Delmas who first persuaded the late Henry Ford to put a gearbox plant in Bordeaux, Mr Juppé last autumn convinced the Detroit company to sink a further \$300m into the plant.

Mr Savary concedes that the prime minister's intervention was "decisive", though he complains that Ford only committed itself to preserving jobs, rather than creating them. Mr Babin claims the prime ministerial presence is drawing other foreign investors, such as Ssang of Spain, which plans to set up a paper plant nearby.

Mr Juppé has more time to reform the city's finances than he has with the country's, though the two are comparable. Bordeaux has relatively high debt, high taxes and large investment needs.

The only typically Juppé-esque action so far was when he first abruptly sacked for alleged financial profligacy Mr Alain Lombard, who as the city's orchestra conductor and theatre director drew a combined salary of FF\$20,000 (\$64,500) a month. He gave him a golden handshake to avoid being taken to court for breach of contract.

Mr Juppé's move to jazz up the city by illuminating buildings has proved popular, perhaps partly because state-owned Electricité de France seems to be providing initial current virtually free. But it remains for Mr Juppé to make up for delays in deciding how to clean up the banks of the Garonne river and give the city a proper mass transit system.

In theory, Mr Juppé has time to develop Bordeaux as his safety net if and when he falls from the premiership. He does not face re-election as mayor until 2001. He also intends to abandon his Paris constituency and seek the Bordeaux parliamentary seat of the retiring Mr Chaban-Delmas.

Spain's economy minister enters poll fray

By David White in Madrid

Mr Pedro Solbes, Spain's economy minister, yesterday claimed that tax cuts proposed by the centre-right Popular party could jeopardise the country's chances of joining the European single currency.

As the main parties put the final touches to their programmes for the general election on March 3, he challenged the Popular party's argument that lower tax rates would result in an increase in government revenue by discouraging evasion.

Lower taxes would bring a greater risk of missing the target for the budget deficit next year, the reference period for deciding which countries qual-

ify for the single currency, he told a press conference.

The Popular party, which is also committed to meeting the single-currency criteria, has proposed a gradual tax reform

time after joining the Socialist government as an independent, said the Socialist party's triple economic platform of increased employment, maintenance of welfare benefits

Mr Solbes said that opposition plans for lower taxes would bring a greater risk of missing Maastricht treaty targets

which would bring the top rate of income tax down from 56 per cent to 40 per cent by the end of a four-year term. It also proposes to change the tax system for small and medium-sized companies to encourage growth and employment.

and membership of economic and monetary union was "possible and coherent".

He estimated that Spain would need spending cuts of Ptas60m (\$2.6bn) in its 1997 budget to meet the deficit target of 3 per cent of GDP - assuming annual economic growth of 3 per cent. The gov-

ernment stands by a forecast of 3.4 per cent growth this year, higher than most estimates. Last December the government announced spending cuts of Ptas74bn to bring its 1996 plans into line, after having its original budget rejected in parliament.

The final version of the Socialist programme, due out today, will propose limiting tax deductions on house purchases to boost the rental sector, and an easing of the tax burden on inherited homes and businesses. Mr Joaquin Almunia, the party's parliamentary leader, said a lower top tax rate of 50 per cent might be possible, but not until after Spain had met the Maastricht criteria for Euro.



Pedro Solbes challenged Popular party's plans for lower taxes

Sarajevo clears one more barrier to peace

By Harriet Martin in Sarajevo

The symbol of Sarajevo's division, the wall of sandbags and concrete slabs across the city's pointedly named the Brotherhood and Unity Bridge, was bulldozed yesterday. The Bosnian capital thus moved a tentative step closer to securing the peace.

Tomorrow, the Serb-held suburb of Grbavica - which is linked to the city by this bridge - comes under Bosnian federation control as part of the Day-

ton peace agreement to unify Sarajevo. The civilian authorities and police in Grbavica, along with those in four other Serb-held suburbs, are allowed to stay for 45 more days, during which time they are answerable to the federation.

As Nato's huge French bulldozers crushed the carefully constructed barriers of concrete, sandbags and barbed wire, crowds of people watched at each end, waiting to cross. Then the wall was pushed aside, and they stared across the span at each

other. A group of Serb and Bosnian policemen gathered on the middle of the bridge watching the French troops at work. Slowly they began to talk, first about the dead, then about football. Hesitantly, they laughed.

Groups of old ladies, flourishing their identity cards, carefully made their way across the 50m stretch of no-man's land. Men of military age from either side did not yet dare to make the crossing.

Across the Miljacka river in Grbavica, a grim area of grey concrete tower blocks, Ognjen Jokanovic, in her 70s, was standing clutching her sister, Uljeta.

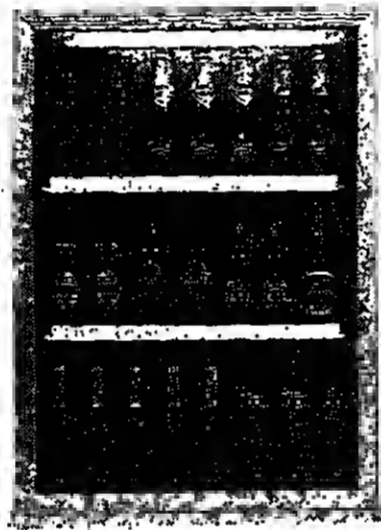
"I heard this morning on the radio that the bridge was open. I knew my sister was ill. I just rushed out of my apartment. I didn't tell my husband and I even forgot to put my teeth in," she said, flashing a gummy grin.

They had seen each other only once during the war, in the spring of 1994 when the bridge was opened briefly.

But just feet away from the reunited sisters, a middle-aged man was angrily loading household furniture on to a truck already laden with logs.

Grbavica is full of cars and trucks precariously piled with the contents of people's homes. For many Serbs in these areas the reunification of Sarajevo marks their defeat.

"Where do you think I'm going? To Serb land of course," shouted the man. "I'd rather live in a tent than live with Muslims."



Some more dramatic direct action from Greenpeace.

Today John Gummer opens a factory in Derbyshire making these chiller cabinets for off-licences and pubs.

At first glance, it's hardly headline news.

Nor, you might think, is it the stuff of environmentalist legend.

Yet the story behind the new Elstar factory, and more importantly the fridges it will make, is one of the most remarkable examples of Greenpeace in action.

It's a story that many would not perhaps associate with us. But it's as dramatic in its results and as extraordinary in its ambition as anything we have ever done.

Elstar is the first greenfreeze factory in Britain, and the first greenfreeze factory in the world making fridges for commercial use.

Only a few years ago both industry and government would have vehemently refuted the viability of such a factory.

Together with the vast majority of technologists, they maintained that refrigeration would remain dependent on ozone destroying chemicals (HCFCs) and global warming gases (HFCs).

It's only because, against all odds, we forced the world to adopt a safer solution that we now have greenfreeze fridges at all.

In fact, a little known alternative using hydrocarbons had been available since the 1930s, and was perfected

in the early 90s by two scientists working in Dortmund, Germany.

Vested interests rubbish this option, authorities neglected it and governments chose to ignore it.

At Greenpeace we took on this industrial stranglehold and fought one of the hardest, longest campaigns we have waged in recent years.

We attacked the entrenched attitudes of governments, technologists and manufacturers - demanding that they recognise greenfreeze as a safe, efficient and effective alternative.

In 1992 the world's very first greenfreeze fridge was finally made, but only because we commissioned it ourselves from an ailing east German factory.

In the process, we proved that greenfreeze not only worked, but was commercially viable.

Orders from consumers as keen as us for change began to flood in. Eventually industry began to see that this alternative was not just our choice, but that of all sensible, concerned people. Gradually we forced cracks in the arguments of the powerful chemical lobby, and even governments were made to realise that greenfreeze was a viable solution that would not pollute the atmosphere like HCFCs and HFCs.

Today, thanks to these efforts, virtually the entire German domestic fridge market uses greenfreeze technology.

Thanks to companies like Calor Gas, Britain is now the world leader in greenfreeze. And the technology is rapidly spreading around the world, reaching even China - potentially the world's largest refrigeration market.

For these reasons, we are especially pleased to celebrate this week's opening. Indeed, it may be just the occasion on which to raid the chiller cabinet.

If you would like to know more about how Greenpeace is challenging industry to deliver solutions, not compromises, call Freephone 0800 374 428 for an information pack.

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GREENPEACE

TNet to expand its business NTT to face long-distance competition

By Michiyo Nakamoto in Tokyo

The carrier said using NTT's lines to reach subscribers' homes was not a practical solution. NTT, which has a virtual monopoly over the local network, has been criticised by other carriers for its reluctance to provide them with fair access to its local network.

The lack of a direct link into customers' homes meant TNet was only able to win 19,000 subscriptions in seven years. However, in response to rising calls to break up NTT and stimulate competition, NTT announced last year that it was prepared to provide anyone with fair access to its local network. At the same time, deregulatory measures announced by the Ministry of Posts and Telecommunications have made it much more attractive for TNet to build up its long-distance network.

In the past, regional carriers such as TNet were in practice restricted to doing business in a particular region. The ministry recently stated, however, that carriers would not be restricted to particular businesses, with the exception for the time being of NTT and KDD, the international carrier.

TNet is therefore considering tying up with other regional carriers to provide long-distance services at lower rates than currently possible, the company said.

"They're in a great position to offer competition given that they already have an optic fibre network," said Mr Barry Dargan, industry analyst at S G Warburg in Tokyo. TNet's investment in infrastructure would go mainly towards laying optic fibre cable from NTT's switching stations to its own stations and increasing the number of its switches.

HK's reluctant candidate

Simon Holberton on China's apparent choice as chief executive

Chinese sensitivity to the symbolic language of politics has been heightened in Hong Kong now that speculation is rife about who will be its first chief executive, as the post-colonial governor will be known.

So when Mr Jiang Zemin, China's head of state and the Communist party, made for Mr Tung Chee-hwa, a Hong Kong shipping tycoon, at the end of a ceremony marking last week's inauguration of the group which will oversee the final stages of the colony's transfer to China, many in Hong Kong thought they were witnessing something akin to a benediction.

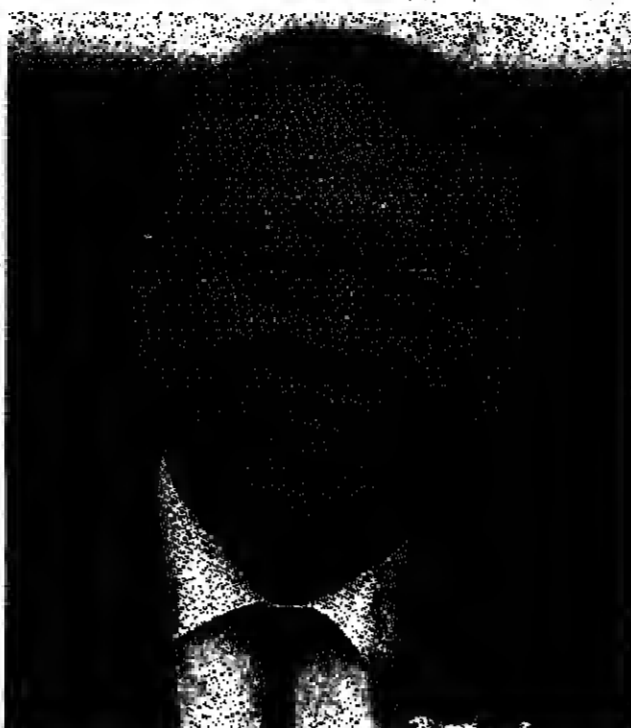
As if to underline the message, the encounter was given prime play on Chinese state television as part of its lavish coverage of the establishment of the preparatory committee, as the group is called. Mr Tung, 58, is a vice-chairman of the committee.

Hong Kong reverts to Chinese sovereignty in less than 18 months and one of the big decisions the Chinese leadership has to make is who will lead the "special administrative region" in its first years.

"What these guys in Beijing will be deciding is who is going to run the richest city in China," said one senior British official. "It is big patronage, very big patronage."

Mr Tung, an industrialist who normally shuns the limelight, is the candidate who garners the most support among Hong Kong elites in business and government. One member of the preparatory committee observed this week: "He is somewhat unknown to the people of Hong Kong but since his name has been mentioned there has been no negative reports about him."

But his candidacy is far from assured. The post of chief executive may not be finally decided until later in the year, and that would give a lot of time for Mr Tung's rivals to try to discredit him. Other candidates will also drift across the stage.



C.H. Tung: 'This is patronage, very big patronage'

Moreover, his own preparedness to serve is also not guaranteed. He is a reluctant participant in politics; Governor Chris Patten had to use all his powers of persuasion to get him to join his Executive Council in 1992. More importantly, Mr Tung has told friends that he does not want the chief executive's post.

He says that having spent most of the 1980s bringing his family shipping business, Orient Overseas International Limited (OOIL), back from the brink of collapse, he now wants time to manage what has become a successful business. Lurking in the back of his mind is also a concern about management succession at OOIL, which under his direction now confidently rubs shoulders with the world's best shipping groups.

However, if Mr Jiang were to ask him to serve, few think that Mr Tung would be able to resist the call. Observers also note his reluctance to take the post may strengthen his hand

state-owned Bank of China stepped forward with bridging loans, as did Mr Henry Fok - a Hong Kong businessman with close ties with China's Communist leadership - and Hong Kong and Shanghai Bank.

Three weeks ago Mr Fok, 78, who is another vice chairman of the preparatory committee as well as being one of Beijing's most trusted advisers in Hong Kong, in a rare gesture gave his public support to Mr C H Tung's candidacy.

The other Hong Kong businessman he is next most closely associated with is Mr Li Ka-shing, the property and ports tycoon. Mr Li used to oppose the appointment of a businessman to the chief executive's job - on the grounds that any businessman would be likely to favour his own family's interests - but has recently endorsed Mr Tung.

Mr Li and Mr Tung know each other well. As part of the restructuring of the Tung shipping group, OOIL's interest in the Falkstone container port in Britain and its interest in Hong Kong's container port were sold to Mr Li. The two businessmen are also partners in Oriental Plaza, a \$1.5bn property development in the heart of Beijing, approval for which was given personally by Mr Jiang late last year.

According to a senior British official, Mr Tung "is the best example of the well-connected Chinese businessman I know". He has very good contacts in the US, Japan, Taiwan, where he has extensive family contacts, and Britain, where he attended university. "There is a question whether he has enough bottom and backbone to stand up for Hong Kong when it matters, and whether he can do the political PR," the official said. "Will he be tough enough when it comes to selecting his Executive Council?"

But as another official points out, toughness is a characteristic that is valueless without good political connections: "The two complement each other and C H has both."

That was not to be. In 1985, companies controlled by the Tung family owed creditors nearly \$2.7bn (£1.8bn). Beijing's

ASIA-PACIFIC NEWS DIGEST

Japan foreign exchange record

Japan's foreign exchange reserves hit a world record of \$182.84bn at the end of January, but the increase was small, suggesting a decline in central bank intervention. The total rose by just \$18m from the month before - the previous record - a minute increase compared with the \$1.57bn jump from November to December.

The dollar has risen to ¥107 from ¥96 last August when the Bank of Japan and other leading central banks started to intervene to support the US currency, partly to avert fears of the damage to the Japanese economy risked by a strong yen. That anxiety has now eased, at least temporarily. However, the government is still making contingency plans against another rise in the yen, a Finance Ministry official confirmed yesterday.

An advisory panel to the ministry is considering a scheme to allow Japanese companies to make direct foreign exchange dealings with foreign banks abroad, to be able to take advantage of lower transaction costs, he said. This, like a similar foreign exchange deregulation package last August, would be designed to encourage Japanese institutions to sell yen.

William Dawson, Tokyo

Export boost to Philippine GNP

A pick-up in exports and manufacturing production boosted growth in Philippine gross national product to 5.7 per cent in 1995 compared with 5.3 per cent the previous year.

The improved performance, which the Asian Development Bank predicts will reach 7 per cent in 1996, was led by a 7.3 per cent rise in industrial output last year, according to figures released yesterday - a big improvement on the 5.3 per cent recorded in 1994.

A surge in exports, which grew almost 30 per cent, and construction, which grew 9.2 per cent, helped offset zero growth in agriculture. GDP growth rose slightly from 4.4 per cent to 4.8 per cent.

Officials said the 40 per cent increase in remittances from overseas workers and strong inflows of foreign direct investment and portfolio capital helped to counterbalance the knock-on effects of the Mexican currency crisis at the start of the year and the a wave of natural disasters in the second half.

Edward Luca in Manila

Thailand's CPI increases 7.4%

The Thai consumer price index rose 7.4 per cent in January compared with the same period last year, according to data released yesterday by the Ministry of Commerce. The rate is the same as for December, a signal that price rises may have peaked, although they remain at a level government authorities say is too high. There had been six straight months of increases.

The highest increases came in food prices, which increased 10.9 per cent in January over the same month last year.

Thai officials had blamed last year's annual inflation rate of 5.8 per cent on food price increases due to record flooding throughout much of the country and had expected food price rises to taper off as part of a goal to bring down inflation in 1996 to a more manageable 4.8 per cent. January non-food prices increased 5 per cent over the same period last year.

Ted Baradack, Bangkok

Indonesian satellite launched

The first of Indonesia's third generation of satellites, known as the Palapa C-series, was launched successfully from Cape Canaveral in Florida by a unit of Lockheed Martin yesterday. The Palapa C-1 satellite, the first of a number of telecommunications satellites in the series, will be operated by Satelindo, a private Indonesian telecoms company which was given a licence to own the next generation of satellites, apparently without a government tender.

The next C-series satellite is due to be launched in April this year by France's ArianeSpace but Telkom, the publicly listed domestic telecoms carrier, is also planning to launch its own satellite in 1996 to meet rising domestic telecommunication needs. The C-1 satellite, which was built by Hughes Electronics unit Hughes Space and Communications Company, has 84 transponders which are leased commercially to a number of Hong Kong-based and US broadcasters. The satellite has a footprint that extends from Vladivostok to Iran and south to Sydney and New Zealand.

Satelindo is 25 per cent owned by Deutsche Telekom's DeTeMobil, 22.5 per cent by Indonesia's domestic telecoms operator Telkom and 7.5 per cent by Indosat, Indonesia's satellite telecoms company. Its majority shareholder is Binagraha Telekomindo, a unit of the listed Bimantara Group which is controlled by President Suharto's second son, Mr Bambang Trihatmodjo.

Manuela Saragosa, Jakarta

S Korean trade deficit widens

South Korea's trade deficit widened to a four-year high of \$1.92bn in January from \$1.15bn in the same year-earlier period, the ministry of international trade and industry said yesterday. Imports grew 35.2 per cent year-on-year to \$12.01bn while exports rose 30.5 per cent to \$10.09bn on a customs-cleared basis.

A ministry official attributed the sharp rise in the deficit to unusually high aircraft imports worth \$900m and an upsurge of fuel imports due to cold weather. Despite the weakness of the yen, which eroded the competitiveness of South Korean products by lowering Japanese prices, exports were still robust in most sectors, the official said.

Heavy-chemical exports rose 39.7 per cent while semiconductor exports grew 61.3 per cent, vehicles were up 64.3 per cent and oil products up 88.7 per cent. Imports of capital goods grew 22.5 per cent and those of consumption goods rose 23.6 per cent.

AFP, Seoul

Colombo blast likely to deter investors

By Annel Jayasinghe in Colombo

Sri Lankan leaders acknowledged yesterday that the bombing of the country's financial centre presented a potentially serious setback to hopes of attracting much-needed foreign capital to revive the war-weary economy.

President Chandrika Kumaratunga said Tamil "Tiger" rebels carried out Wednesday's suicide attack on the central bank building in the capital, Colombo, to destroy the nation's assets and sabotage political attempts to end ethnic conflict.

Police said at least 72 people were killed and about 1,500, including several foreigners, were wounded in the blast, which also extensively damaged more than 10 office buildings.

"In the short term, there could be an adverse effect on foreign investment," said Mr G L Peiris, deputy finance minister. But he went on to insist that "potential investors should see that we have a coherent strategy to deal with the problem".

Mr Peiris said the military would intensify its campaign against the separatist Liberation Tigers of Tamil Eelam while pressing ahead with a political package to grant greater autonomy to minority Tamils. Wednesday's attack, carried out by suspected Tamil Tiger guerrillas fighting for a separate homeland in the country's north and the east, was one of the biggest explosions seen in the capital.

The Colombo Stock Exchange suspended trading in the 11 companies whose offices were directly affected by the blast. Trading yesterday was limited to half a session and closing figures had not been worked out because of the disruption.

Brokers said the bombing might discourage many foreign investors who were keen to bid for state enterprises scheduled to be privatised this year. The government had aimed to raise \$420m, mainly from foreign investors, by selling state assets including the national airline Air Lanka as well as telecommunications and petroleum operations and tea and rubber plantations.

Mr A S Jayawardena, cen-

tral bank governor, said cheque clearing and money market transactions had been suspended but he hoped to restore the services by early next week.

"Our aim is to restore normal financial services as soon as possible," Mr Jayawardena said. "Our money market transactions will be limited to determining the foreign exchange rates."

He said the government had instructed two state-owned commercial banks, the Bank of Ceylon and the People's Bank, to execute interest payments on foreign loans taken by the government while the central bank was recovering.

Treasury bills amounting to some \$85m which matured on Wednesday were not paid out but arrangements were made to extend the maturity period of the bonds by another two weeks and pay enhanced interest.

The blast has given rise to fears of a fall-off in tourism to the island, and may have jeopardised Sri Lanka's plans to co-host this month's cricket world cup series with Pakistan and India.

New alliances threaten Taiwan's old order

By Laura Tyson in Taipei

Democracy can make for strange bedfellows. When a former dissident who spent 25 years in jail fighting for the cause of Taiwanese independence teams up with diehard supporters of unification with China, it is clear things are changing.

Surmounting differences in ideology, Taiwan's conservative New party and the pro-independence Democratic Progressive party (DPP) joined forces yesterday to support Mr Shih Ming-teh, a DPP legislator sometimes called "Taiwan's Mandela", in his bid to become Speaker of the newly elected legislature.

Although the two opposition parties failed by just one vote to block the governing Kuomintang (KMT), or Nationalist, incumbent, Mr Lin Sung-fan, this co-operation signals a departure from politics as usual.

The legislature installed yesterday following December's elections is only the third since 1949, when the defeated Nationalist Chinese government fled to the island from mainland China after losing

the civil war. Democracy was but a public relations slogan in "free" China until 1987, when martial law and the one-party state were abolished and press controls lifted shortly thereafter.

Taiwan's political landscape has since been transformed by elections and profound changes in policy toward issues ranging from the island's relations with China to landfill sites. That transformation will be capped by the first direct presidential election on March 23.

President Lee Teng-hui is expected to win this time but opposition parties are gaining ground. December's parliamentary elections left the long-ruling KMT with a wafer-thin majority in the legislature, and saw the New party emerge as a third force in what had been a relatively straightforward two-party political scene.

Confident and united in their aim of embarrassing the KMT at any opportunity, the opposition parties are turning political horse-trading into a fine art. They are forging unlikely alliances and persuading maverick KMT legislators to cross party lines. In yesterday's vote,

opposition legislators publicly reserved their votes in what was supposed to be a secret ballot because the deal struck was that if the DPP could marshal all its 54 legislators to support Mr Shih, only then would the New party guarantee the backing of its 21 legislators.

This sort of behaviour portends trouble for the governing party, accustomed to forcing controversial policies through the legislature by sheer strength of numbers. The Speaker's job is a powerful one, wielding control over parliament's agenda and processes. Had Mr Shih won, President Lee would have had difficulty reinstating Mr Lien Chan, the premier, in a cabinet reshuffle later this month.

As it is, Mr Lee's hopes of consolidating his power by also making Mr Lien vice-president next May appear doomed. While Mr Lee appeared certain only months ago to win the presidential bid by a landslide, he now looks unlikely to get 80 per cent of the vote. This will sharpen opposition calls for a coalition cabinet and make confirmation of KMT nominees for cabinet posts difficult.

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The Financial Times plans to publish a Survey on

Poland

on Wednesday, March 27

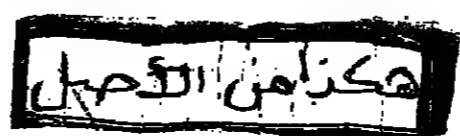
There have been some momentous changes in the country recently and the survey will cover the implications and the prospects for democracy, the economy in 1996 and beyond.

Other articles will cover the Banking system, foreign investment, the motor industry, the steel industry, the energy sector, privatisation, telecommunications and tourism. The survey will be distributed with the FT on that day and read by leading decision-makers in over 160 countries worldwide.

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NEWS: INTERNATIONAL

Congress to penalise Internet pornography

Governments around the world are taking action to police the world computer net

The US House of Representatives was yesterday set to vote on legislation that would impose stiff penalties for the distribution of "indecent" material on the Internet...

spread concerns about its use to distribute pornography, racial hate messages and other offensive materials. However, the vast bulk of material published on the global computer network is commercial or technical in nature.

concerns included the problem of dealing with regulation outside national boundaries and the difficulty of pursuing those who abused the system.

He also suggested the possibility of introducing ethical codes for Internet operators, along the lines of those already in place for the country's Minitel telephone-based information system.

produced the images at home and distributed them on his home page since last month, said police. According to Mr Kamekura, the service was popular and he was asked by other Internet users to produce more provocative pictures.



Mitterrand: his cancer secrets were broken on the Internet

access to about 200 of the thousands of "Usenet" groups to be found on the Internet.

Foreign Staff

Safety fears for US citizens

By James Whittington in Cairo

Fears have risen for the safety of US nationals in Saudi Arabia and Sudan following reports about attacks on US interests in the kingdom, and the recall of all 25 staff from the US embassy in Khartoum because of security concerns.

ber 1 of planning the bombing of the United Nations, bridges and tunnels in New York and the assassination of Egypt's President Hosni Mubarak and other political leaders.

Mr Hassan Turabi, Sudan's spiritual leader and political mentor of the military Islamist government, claimed yesterday the US decision to suspend its diplomatic presence was due to budget difficulties rather than security concerns.

However, one diplomat commented: "In light of the Saudi attack and the threat of militant reprisals for the jailing of the sheikh, it is quite understandable the State Department would feel uncomfortable about keeping people in Sudan which is known to be a haven for terrorists. To link it to the budget is quite ridiculous."

Sudan was added to the US State Department's list of countries believed to support international terrorism in 1993. More recently, Egypt, which currently occupies a non-permanent seat on the Security Council in place of Libya, has accused Sudan of complicity in the assassination attempt on President Mubarak which was carried out by Egyptian Islamist militants in Ethiopia. Sudanese officials have denied any involvement.

Yeltsin security adviser visits rebellion-hit Tajikistan

Russian President Boris Yeltsin sent his national security adviser to Tajikistan yesterday as fears mounted that turmoil in the Central Asian state could spread through "the underbelly of Russia", Reuters reported from Almaty, Kazakhstan.

The Russian envoy, Mr Yuri Baturin, travelled to Dushanbe, the Tajik capital, for talks after the Russian Foreign Ministry expressed alarm that rising unrest in Tajikistan could spark a renewal of the civil war of 1992.

advances toward Dushanbe by rebel Tajik warlords, who are demanding that the government resign. A spokesman for the rebels said that they would not enter the capital, but claimed that they were within 15km of the city.

senior Russian official this week to visit Tajikistan, where peace talks between the government and exiled opposition have been disrupted by armed action by two rebel warlords.

proposals for the president to contribute to a peaceful settlement of the conflict," Mr Baturin said.

trying to cause a social explosion," Mr Rakhmonov told the Tajik parliament yesterday.

FAO warns of crisis in world food supplies

By Deborah Hargreaves

The world has been plunged into a food crisis following huge rises in cereal prices this year, Mr Jacques Diouf, secretary general of the United Nations' Food and Agriculture Organisation, said yesterday.

"We are in a crisis. Food prices have risen by as much as 30 to 50 per cent in the past year, mainly because the rising cost of cereals," he said. This means an extra \$3bn on to the total food bill for developing nations.

The world food summit will discuss food security issues and ways to address world hunger - it is the first forum for international discussion since the world food conference in 1974.

World cereals stocks are at their lowest point for 20 years after diminished harvests last year in the main grain producing nations. The FAO estimates that last year's cereals harvest was 1.89bn tonnes - 56m tonnes or 3 per cent less than in 1994.

The FAO believes that cereals output in 1996 will have to rise by 4 per cent just to meet current demand with-

out further eroding stocks.

"World food production will have to increase by more than 75 per cent over the next 30 years to keep pace with population growth. We must prepare now to feed about 9bn people by 2030, up from 5.8bn today," Mr Diouf said.

The FAO says that every day one to five people in the developing world cannot get enough food to meet their daily needs and in sub-Saharan Africa the situation is worse with two in five people not getting adequate food. This adds up to 800m people in the developing world who are chronically undernourished.

Africa had made progress towards food security and has increased output by 60 per cent in the past 20 years, but its population has grown by 80 per cent leaving it with a decline in per capita food production of around 18 per cent.

Mr Diouf says that developing countries cannot rely on food aid from developed nations, which, anyway, is in decline, but must become more self-reliant in food production.

Some 174 countries have been invited to the summit in the hope they will adopt a set of commitments aimed at ending hunger and promoting universal food security.

Peace with Syria 'only a matter of time' says Peres

By Roush Khalaf in London

Israeli prime minister Shimon Peres said yesterday it was only a matter of time before peace was achieved with Syria after Lebanon.

On a two-day visit to Britain, Mr Peres said he believed Syrian president Hafez al Assad had decided to take the road of peace.

Although Israeli, Syrian and US officials have made clear that no breakthrough was achieved in the latest round of negotiations completed on Wednesday in Maryland and that serious gaps remain, Mr Peres put an optimistic face on the talks.

He said that the latest round was different because it was not limited to security issues but widened to include economic co-operation, normalisation of relations and the water resources issue.

Talks between Israel and Syria broke off last June over Israeli demands for early warning stations inside Syria.

"The talks gained the character of informality so both parties could introduce ideas," Mr Peres said.

Progress was made on the kind of relations the two countries would have and discussions were started on economic co-operation.

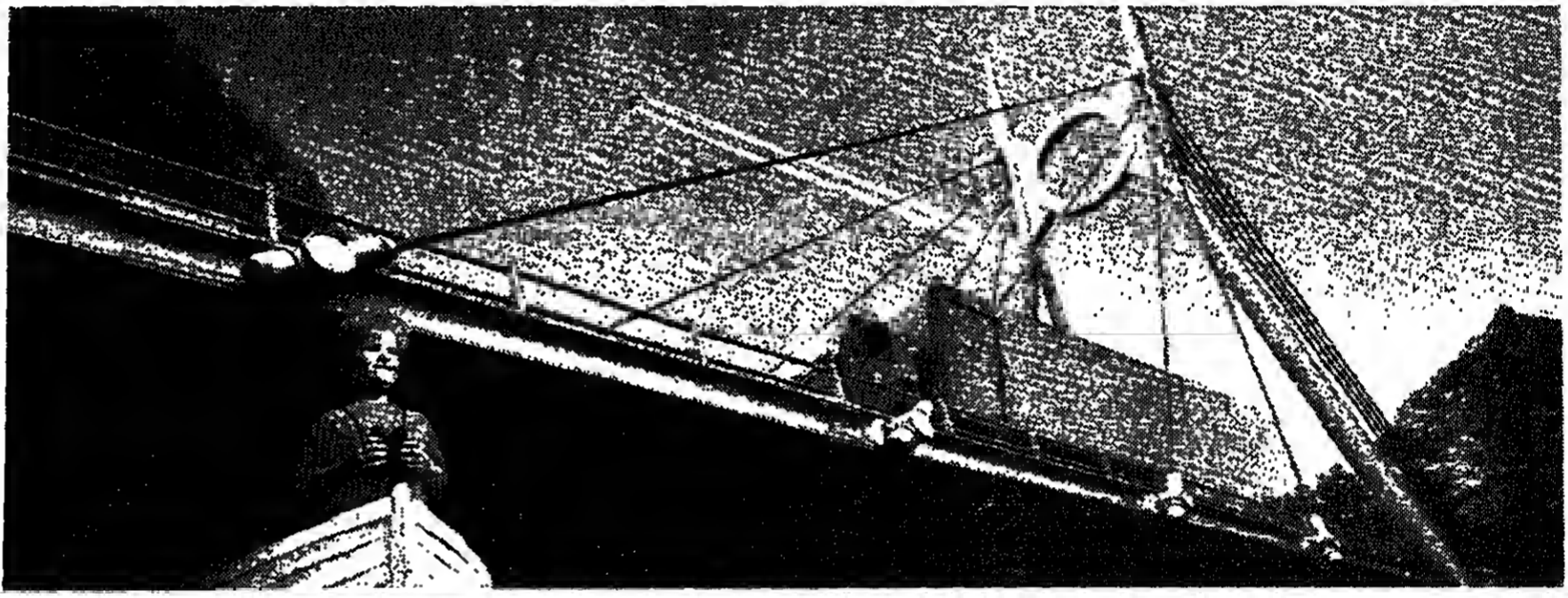
The optimism was not shared by Syria, however. The state-owned press yesterday lashed out at Israel for making "impossible and provocative" security demands and said that such demands as well as Israel's refusal to commit to a full withdrawal from the Golan Heights captured in 1967 had widened differences between the two sides.

US mediator Dennis Ross on Wednesday identified security arrangements as having topped the agenda in the Maryland talks and said there were differences of "substance or perspective" on these arrangements.

Mr Peres, who has to decide in the coming weeks whether to bring forward the date of general elections scheduled for October, said further progress was likely to be made when Mr Warren Christopher, US secretary of state, resumes his shuttle diplomacy next week.

"Each time Christopher visits, there is progress. No one should expect that everything will be solved in one visit but the fact he is visiting Damascus shows there is progress even if it goes at a slow pace," Mr Peres said.

The Israeli press has speculated that Mr Peres will wait for an answer from the US on whether Mr Assad will agree to a meeting with him before deciding on the elections. Mr Peres, however, said yesterday he would like to see the elections take place on time.



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Europe ready to shoulder bigger burden, French leader tells Congress

Chirac reassures US over Nato role

By Jurek Martin in Washington

President Jacques Chirac of France told the US yesterday that Europe stood ready to shoulder larger burdens in a reformed Nato, including military action in those areas "where the US does not want to engage its ground forces".

France, he said, "will take its full share in this renovation process", as witnessed by its recent decision to move closer to Nato's military high councils. He suggested a new transatlantic security charter to underline the importance of the alliance, adding, without going into details, that "the reform of Nato can facilitate its enlargement".

Mr Chirac presented his ideas to a joint session of Congress prior to afternoon talks with President Bill Clinton in the White House. In welcoming the French president, Mr Clinton described as "historic" France's decision to participate once again in Nato's defence council.

His speech, delivered in French, apart from one quotation from George Washington, was respectfully received by

the joint session, though some members boycotted it in protest against France's recently concluded round of nuclear testing in the Pacific. But Mr Chirac drew applause when he stated that testing had been ended "once and for all" now that France was assured that its nuclear deterrent was "reliable and safe".

Mr Chirac also took Congress to task for its reluctance to continue to fund US and multilateral aid programmes and for its constant drumbeat of criticism against the United Nations.

He reminded his audience that Europe's foreign aid of about \$30bn was three times that of the US. "Europe - and France - have budget problems, too," he said, but this should not detract from the "moral obligation" to help the poorest countries, especially in Africa.

Mr Chirac called the International Development Association, the World Bank's soft-loan arm, "an irreplaceable instrument", founded, he noted, on the initiative of President Dwight Eisenhower. US arrears to IDA are now substantial. "My friends," he said more than once, "the world needs you."

He described the UN, the subject of stinging attacks last week by Senator Bob Dole, the majority leader and front-runner for the Republican presidential nomination, as "the only bulwark against disorder and arbitrariness". Reform was desirable but "let us not refuse the UN the means to succeed".

However, Mr Chirac's main message was on reforming Nato. "As long as the European identity can assert itself fully, [Europe] is capable of bearing a larger share of the common burden," he declared.

But that still required a continuation of "an essential element" - the longstanding US political and military commitment to European security. This, too, may be interpreted as an indirect criticism of the growing isolationist element in Congress which has seen Bosnia, for example, as a European "problem" not requiring the presence of US troops.

Mr Chirac was careful to praise Congress for its "sense of political responsibility" in not trying to block US deployment, noting that its presence on the ground "sends a clear message" to the world of continued US involvement.



Shoulder-to-shoulder: Presidents Chirac and Clinton yesterday outside the White House where defence was the main topic

He also pointed out a series of French initiatives in Bosnia, including the creation of the western "contact group" and of Nato's rapid reaction force, that helped create the right "environment" for the Dayton peace talks last year.

Media hype helps push Forbes ahead

Poll shows him leading Dole by 31% to 22%

By Patti Waldmeir in Washington

Mr Steve Forbes, the multi-millionaire US magazine publisher, has surged ahead in another pre-primary opinion poll in New Hampshire, helped by the intensive media focus on his campaign for the Republican presidential nomination.

A poll published yesterday by the Boston Globe showed Mr Forbes leading Senator Bob Dole, Senate majority leader and national frontrunner, by 31 per cent to 22 per cent. It was the second time in a week that a New Hampshire poll showed Mr Forbes ahead. Other polls showed conflicting trends: one had the publisher closing the gap with the senator; another showed him slipping.

But the simple fact that he has registered another poll lead will boost the extraordinary momentum of Mr Forbes's campaign, despite the contradictory signals. And it will feed the media frenzy surrounding him, which has become a political fact in its own right, over the past week. With a lacklustre field of

Republican presidential candidates generating few headlines, American media managers have increasingly seized on the Forbes phenomenon to fill column inches and television screens.

Many treat him as a form of comic relief in a tedious campaign, ridiculing his trademark monotone voice and fixed grin, not to mention his mantra-call for a flat rate of income tax. Newweek magazine has dubbed his appeal "geek chic".

He has been interviewed dozens of times in the past week on national television, often by hostile interviewers. However, the attention, however negative, has undoubtedly boosted his poll ratings, helped further by millions of dollars spent on television advertising.

Mr Forbes's campaign officials say he spent \$15m last year alone before the current spurt of heavy spending which precedes trend-setting polls later this month in New Hampshire and Iowa. Mr Forbes's performance in the New Hampshire primary will depend heavily on the

number of independent voters who turn out on election day, February 20.

Opinion polls show his appeal among independents is far higher than among registered Republicans, who tend to favour Mr Dole. But independents are traditionally less likely to vote than registered party members.

Much will depend on whether Mr Forbes' intensive personal campaign and television advertising in the state will persuade normally reticent voters to go to the polls.

But if media attention on his campaign has undoubtedly boosted his chances in New Hampshire, the opposite is true of Mr Dole.

He has been the focus of almost universally negative media comment since his uninspired reply to President Bill Clinton's state of the union address last week.

The 72-year-old Senator did his campaign no good earlier this week when he inaugurated a new beer called Old Man Ale, feeding concerns that he is too old to be president.

NYC acts to plug \$2bn budget deficit

By Richard Tomkins in New York

New York City, plagued by financial woes, plans to privatise the operation of its 68,000 parking meters as part of an effort to plug a \$2bn hole in its budget for the coming year.

Among other measures indicative of the city's financial plight, one of seven police helicopters is to be sold for \$150,000 and the municipal health department is to start charging \$25 each time it approves an application to carry out a cremation.

Mr Rudolph Giuliani, the city's Republican mayor, unveiled the measures this week as he presented his budget for the financial year starting this July.

Like his previous two budgets, the latest contains proposals for widespread cuts in public services.

Health, education and social services all face cuts in spending. Even the previously sacrosanct police department will suffer the loss of 1,500 police officers from the total of 38,000, marking the end of a long period of expansion.

New York's planned spending for the new financial year is \$31bn, more than that of many nation states. By law, the city is required to balance its books, but although Mr Giuliani has slashed more than 20,000 jobs from the municipal workforce since coming to office at the beginning of 1994, he is still struggling to make ends meet.

This year should have been easier because Wall Street profits are sharply up. But Wall Street's prosperity has not been enough to counteract the effect of jobs lost through recent big bank mergers, the depressed state of the city's real estate market, and



Giuliani: tough act

unexpectedly poor retail sales. The latest budget will cut the city's planned spending by 5 per cent. Among other measures, libraries and museums will open shorter hours, the refuse recycling programme will be cut, and the city will continue its efforts to reduce welfare rolls through tougher screening and so-called workfare programmes.

Mr Giuliani also aims to continue with a privatisation programme that has already seen the sale of the city's television and radio stations. He now aims to sell the Brooklyn Army Terminal, a city-run industrial complex, and some city-owned parking garages with spaces for 2,000 cars.

The parking meter privatisation proposal could be more controversial. A previous attempt to privatise the meters was reversed when employees of the private sector meter-servicing companies were found to have been emptying the meter contents into their pockets instead of the city's coffers.

UK-Argentina oil pact review

Mr Guido Di Tella, Argentina's foreign minister, said yesterday he had agreed with his British counterpart, Mr Malcolm Rifkind, to review the oil agreement between the two countries, which was signed last September following three and a half years of talks, Reuters reports from London.

A joint committee would meet in Buenos Aires on February 29 and March 1, he said, when it would define a schedule and targets against which to measure progress on the contested issue of oil exploitation in the South Atlantic.

"The discussions are far advanced, but still difficult," he told reporters at the Argentine embassy in London.

The agreement allows both countries to charge royalties for any oil or gas extracted from waters around the Falkland Islands without compromising their conflicting claims to sovereignty. Argentina plans to levy 3 per cent and Britain 9 per cent.

Mr Di Tella said Argentina fully intended to enforce the tax on companies granted licences by Britain. He reiterated Argentina's objection to British licensing of exploitation rights, but said his government would allow companies to use the Argentine mainland as a base for supplies. "This will be worth much more than the 3 per cent tax," he said.

Britain and Argentina fought a 10-week war over the sparsely populated islands in 1982.

Mr Domingo Cavallo, Argentina's economy minister, said in a newspaper interview yesterday he was unlikely to stay in the job until the end of President Carlos Menem's mandate in 1998.

"I don't rule it out, but it would be surprising," he told the El Cronista daily in an interview. Mr Cavallo, who has held his post five years, also said he was not ruling out standing as a candidate in the next presidential elections.

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Tunnel chief to accuse governments

By William Lewis in London



The UK and French governments should discuss "restitution" with Eurotunnel, the Anglo-French operator of the Channel tunnel between England and France, its UK chairman will state today. Sir Alastair Morton will say in a speech to the Engineering Council in London that "certain promises have not been delivered" by either the French or UK governments and that "restitution needs to be discussed".

Sir Alastair's comments come as Eurotunnel is in negotiations with its banks over repayment of £2bn (\$12.1bn) of debt. The company may ask a French court to appoint a mediator to handle the negotiations with its banks following a warning by its auditor that it is in danger of becoming technically insolvent.

In his speech today Sir Alastair will criticise Conservative government ministers for "having changed the parameters of the project during its construction and early life". Mr Michael Heseltine, the deputy prime minister, is due to give a speech at the forum following Sir Alastair.

Sir Alastair will give three examples:

- Ministers were able to force more safety provision into the design and operation of the tunnel without paying for it.
- British Rail, the state network, was broken up "without regard to the delivery of promises of efficient operation and traffic development".
- Duty-free rules for operators of ferries, airports and airlines were "improperly extended beyond January 1 1993 to the heavy disadvantage of the tunnel, without compensation".

Sir Alastair will also target Baroness Thatcher, the former prime minister, who insisted that the tunnel be built unaided by public money. "She

Supporters of the Eurorail consortium indicated yesterday that it would not be panicked into producing a last-minute improvement in the terms of its bid for the £2bn (\$4.5bn) contract to build the Channel tunnel high-speed rail link through the county of Kent, our Transport Correspondent writes. It emerged earlier this week that the British government had started exclusive negotiations with the rival consortium, London & Continental Railways. Euro-rail supporters said it had been made clear from the outset that the consortium "would not chase this project down." They added: "It is too important to the reputation of the shareholders to win the contract at any price."

Eurorail is led by Trafalgar House and BICC. L&C includes Virgin Group, National Express, Bechtel and Ove Arup. A decision on the link for trains between England and France is expected in the next two weeks.

was of course guilty of an extraordinary form of tunnel vision." Sir Alastair will say. "She could not see the blindingly obvious - that the tunnel was no more than a major link in a chain of public sector infrastructures".

In a separate speech yesterday Mr Mike Smith, head of the Business Finance division at the Bank of England (the UK central bank), defended the City of London's traditional voluntary approach to resolving corporate financial crisis, known as London Rules.

Mr Smith said that at companies with internationally diverse groups of lenders "the most effective approach will be some form of international market".

Yesterday one of Euro-tunnel's banks said it was concerned that London Rules are not being applied to resolve its financial crisis. "They are trying to go down the French court-driven route," it said.

Regulators issue ultimatum to forex dealers

By Norma Cohen in London

Securities regulators have given firms offering speculative foreign exchange dealing services one month to apply for authorisation under the Financial Services Act or face closure.

The move is an attempt to close a loophole allowing activities which have already made retail investors significant losses, and which is on the rise.

Firms which fail to apply may be subject to prosecution and regulators could then put them out of business for operating without authorisation.

The Securities and Investments Board, the City of London's chief regulatory watchdog, yesterday said it had concluded that so-called "rolling spot forex" contracts constitute investment business which, by law, must be specifically authorised under the act. In

rolling spot forex contracts, individuals take positions in foreign exchange markets which can be affected by relatively small changes in currency prices.

The SIB's decision follows months of lobbying by the firms against plans to regulate their business. Some of the firms have been accused by clients of selling complex products to unsophisticated buyers with high commissions. Some individuals managing the firms have previously been the subject of regulatory action by securities regulators, and the SIB said it would take past activities into account when considering applications.

Regulators are aware of 37 firms which offer or plan to offer dealing in rolling spot forex. Of these, 23 are operating in the UK while a further 12 are considering it. Three more are offering similar services elsewhere in Europe

and are considering offering these in the UK as well.

Two other firms offering rolling spot forex - London and Global and Cathay and West - have been placed in liquidation by the Department of Trade and Industry.

None of the 37 has yet applied to become an authorised member of the Securities and Futures Authority, the self-regulatory body which would cover that type of investment activity. However, about a quarter are said to have told regulators of their intention to apply.

Under the Financial Services Act, forward foreign exchange contracts of seven days or fewer are exempt from specific regulation.

However, firms have been selling the contracts on a "rolling" basis, meaning that on expiry, the contract is immediately

rolled into a new one. The SIB, after consulting lawyers, the Bank of England (the UK central bank) and the Treasury, has concluded that the short-term nature of the contracts may well be a "sham". As a practical matter, the contracts are for much longer than seven days and therefore their sale must be regulated.

The SFA said it intends to set up a dedicated team to handle applications. Although a firm may operate unauthorised while its application is pending, the SFA said it would take steps to close a firm prior to a final decision if it believed the public was endangered. Firms dealing with unapproved firms are not covered by the Investors Compensation Scheme.

Several of the affected firms are expected to mount legal challenges to the SIB's ruling.

Two jailed and barred from being directors

By John Mason, Law Courts Correspondent

Two company directors convicted of a £38m (\$57m) computer leasing fraud were jailed for a total of 8½ years yesterday.

Mr Leonard Bartlett, the former chairman of the ICS Group, a computer leasing company based in Kingston-upon-Thames, south-west London, was sentenced to five years after being convicted of fraudulent trading and other offences. Mr John Mackintosh, the company's finance director, was jailed for 3½ years after pleading guilty to similar charges. Each man was barred from being a company director for seven years.

The fraud operated by the two men involved "double-funding" leases. Having leased a computer to a client, the two men would either sell on the leasing agreement to a financial institution, giving ICS immediate part-payment, or use the agreements as collateral for loans.

The leasing agreements would then be dishonestly sold a second time to other financial institutions to raise further money. The money raised by the fraud was used to fund the expansion of the ICS Group into the yacht charter and villa rental businesses. ICS was put into liquidation in January 1991 by its own directors and a police investigation followed.

The judge told Mr Bartlett: "You were riding high, but then the computer leasing market changed overnight... you put first your determination to be, and seem to be, a high-flying entrepreneur."

Detective Inspector Peter Woodward, who spent five years investigating the case, said outside the court in London: "This is the largest case of its kind to come to light. Effectively, they were robbing Peter to pay Paul, always hoping for the big break to cover up their dishonesty. But it never came and they found themselves caught in a vicious circle of ever-increasing debt."

Narrowing of trade gap eases fears over exports

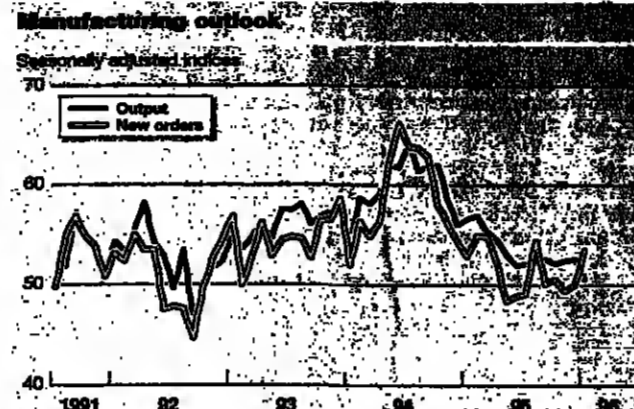
By Gillian Tett, Economics Correspondent

Britain's trade gap with the rest of the world was sliced by two-thirds in November, easing fears that the recent slowdown in mainland European markets might seriously damage British exports.

The better-than-expected figures reassured financial markets that the UK was not yet heading back towards a large trade deficit. Overall, the gap in traded goods was a seasonally adjusted £567m compared with £1.6bn in October.

The data were flattered by some erratic exports of diamonds and ships. However, the figures showed that UK sales were rising in most mainland European countries in spite of the weaker pattern of growth in these countries. The trade deficit with European Union countries shrank to £131m in November, its lowest level for more than two years.

But with export growth still weaker than in 1994, industry groups warned that the real impact of the slowdown in mainland Europe may be yet to come. Ms Kate Barker, chief economist with the Confederation of British Industry, said: "Talking to companies around the country, it seems that concern about the European situation has really sharpened since the start of this year."



Source: CIPS. A reading below 50 in the purchasing managers' index indicates contraction in output compared with the previous month

Meanwhile, a survey of purchasing managers showed that, though new orders rose in January, production levels were flat and jobs were cut for the first time in two years. These diverse signals will fuel the debate about whether the recent weak manufacturing growth reflects a temporary lull or a more serious downturn. The graphic above illustrates details of the survey from the Chartered Institute of Purchasing and Supply.

Some economists fear that manufacturers are cutting production as customers across Europe meet demand from stocks of unsold goods rather

than by placing fresh orders.

However, British ministers argue that this type of de-stocking will have only a muted impact on UK manufacturers. In particular, the Treasury hopes that de-stocking will primarily lead to lower levels of imports rather than weaker UK production.

Yesterday's figures gave some backing to this view. The level of imports into the UK economy fell 2.5 per cent in November, the Central Statistical Office said. The volume of imports was 0.4 per cent lower in the three months to November compared with the previous three months.

Hostility to N Ireland assembly may start to ease

By John Kempfner, Chief Political Correspondent

The British government expressed confidence last night that it was beginning to overcome hostility to its plan for elections to a constitutional convention for Northern Ireland.

Ministers held their most intensive series of talks in an attempt to win round the government of the Republic of Ireland and nationalist parties in Northern Ireland to the election idea. It was disclosed by Mr John Major, the British prime minister, after the report of the Mitchell commission a week ago.

Mr David Trimble spent more than an hour with the prime minister discussing details of the convention. Mr Trimble is leader of the Ulster Unionists, the largest British party in Northern Ireland.

"A degree of acceptance is perhaps beginning to be built among those who were first reluctant to embrace this way forward," Mr Trimble said.

His meeting at Westminster with Mr Major followed a four-hour session between Sir Patrick Mayhew, chief minister for Northern Ireland, in the


British government, and Mr Dick Spring, deputy prime minister of the Republic. The ministers agreed to resume contact next week.

Sir Patrick acknowledged that the British government was unlikely to proceed without a firm indication from the Social Democratic and Labour party, the main nationalist party in Northern Ireland, and Sinn Féin, the political wing of the Irish Republican Army, that they would take part in elections and accept seats in the convention.

Using markedly more conciliatory language, Mr Spring said: "The reservations still remain, but at the same time we are prepared to discuss the proposals." He added: "We had an open, honest, and I feel constructive discussion on the obvious differences of emphasis that the two governments have placed on the report."


Sir Patrick said that the original deadline for all-party talks, by the end of the month, was unlikely to be met.

But, with dialogue expected to resume next week with all the main party leaders in Northern Ireland, the emphasis appears to be shifting away from the principle of a convention to the practicalities.




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مكتبة الامم المتحدة

INTERNATIONAL COMPANIES AND FINANCE

EUROPEAN NEWS DIGEST

Rise in metal prices triples Elkem profit

Higher metal prices powered a strong upturn in profits at Elkem of Norway last year, enabling the light metals producer to propose a tripling of its dividend to Nkr4.50 a share. The group said the rise in pre-tax profits from Nkr308m to Nkr1.06bn (\$166m) - slightly better than analysts had expected - was mainly attributable to substantially higher prices for aluminium and ferrochrome. However, it also highlighted good contributions from its energy division and associated companies.

Net sales grew 7 per cent from Nkr4.7bn to Nkr5.3bn, while operating income rose from Nkr472m to Nkr1.13bn. Ferroalloys increased operating income from Nkr247m to Nkr553m, while aluminium lifted income from Nkr146m to Nkr265m. Fourth-quarter profits rose from Nkr110m to Nkr346m.

Christopher Brown-Humes, Stockholm

Reemtsma in Polish acquisition

Poland yesterday completed the privatisation of the bulk of its tobacco sector with the sale of a controlling share in WWT Poznan to Reemtsma, the German cigarette producer, for \$145m. The agreement foresees Reemtsma investing \$45m in WWT Poznan, which controls 25 per cent of Poland's domestic tobacco market. Reemtsma has also said it will build a plant outside Poznan to replace the existing facility, which will more than double the present three-year investment commitment.

Under the agreement with Reemtsma, the German company will receive 33 per cent of the equity immediately and a further 33 per cent once its \$45m investment commitment is fulfilled. The deal follows the government's sale this week of a controlling share in the Krakow tobacco company to Philip Morris for \$237m and comes after last year's sale of plants in Radom and Augustow to Seita of France and BAT Industries of the UK, respectively.

Christopher Bobbiski, Warsaw

Pechiney sell-off snags revealed

The difficulties involved in the recent privatisation of Pechiney, the French aluminium group, became apparent yesterday when the company announced that AGF, the French insurance group, BNP, the French bank, EDF, the electricity company, Caisse des Dépôts et Consignations, the state financial institution, and CS Holdings of Switzerland together had holdings of about 30 per cent in the group. The French state had kept 11.5 per cent as expected.

The Pechiney sell-off was originally intended to be the first without such core shareholders. However, the privatisation was only 1.25 times oversubscribed even though the offer was scaled back. The shares fell more than 6 per cent on the first day of trading despite intervention by Société Générale, one of the lead banks. Other members of the syndicate included BNP, Lazard and Goldman Sachs.

Paul Abrahams, Paris

Euro RSCG in shake-up

Euro RSCG Worldwide, Europe's largest communications company, in which Havas of France holds a 38 per cent stake, yesterday announced a sweeping reorganisation which included the remaining of the group as Havas Advertising. Havas has been increasing its stakes in companies in which it has taken minority and majority holdings. However, it said yesterday it would not raise its Euro RSCG investment. The reorganisation involves the creation of four divisions.

Mr Alain de Ponzihac, Havas Advertising's chairman, said the restructuring was aimed at allowing the group, the world's seventh-largest communications company, to compete in an increasingly international environment.

Paul Abrahams

Banco di Napoli to proceed with disposals

By John Simkins in Milan

Banco di Napoli, one of Italy's oldest and largest banks, has taken an important step towards resolving its cash problems by breaking a deadlock on the disposal of loss-making branches.

The bank's board decided late on Wednesday to put 50 branches in northern Italy up for sale and close a further 20 small branches in the south, where the 450-year-old bank has traditionally been strong.

The move represents a victory, if not in every detail, for the rescue plan proposed by Mr Federico Pepe, managing director, who has clashed with board members led by Mr Carlo Pace, the chairman.

The rescue plan had called for the disposal of 77 northern branches to produce about a quarter of the estimated 12,000m (\$1.25bn) of new capital needed at the bank.

Banco di Napoli has suffered from heavy exposure to small and medium-sized companies in southern Italy and reported losses of 11,500m in the first half of 1995.

After months of deadlock, during which the board gave only partial approval to Mr Pepe's plan, the Italian central bank and the charitable foundation which controls Banco di Napoli pressed the board this week to reach a decision on the branch closures.

The board decided to keep branches in the northern cities of Milan, Bologna, Venice and Florence to maintain the bank's profile as a national bank. The success of the plan largely depends on whether the northern branches are sold, as opposed to closed.

Although they are in deficit, several are in prime sites and would attract other banking groups with roots in the area.

The disposals will allow the bank to improve its balance sheet and make it more attractive to potential partners prepared to underwrite a capital increase and possibly take majority control.

The Boston Consulting Group has also been brought in to advise on improving the bank's efficiency.

Two directors at Crédit Foncier resign

By Andrew Jack in Paris

Two directors of Crédit Foncier de France, the troubled property lending institution, have resigned and a third has threatened to do so this week following the government's abrupt decision to change the chairman.

Their actions have raised questions about the way the French state has managed the recent difficulties at Crédit Foncier, and posed an additional challenge for Mr Jérôme Meyssonnier, the new chairman, who will begin work next week.

Mr Jean Peyrelevalde, head of Crédit Lyonnais, the state-owned bank, stated his intention to resign at a board meeting of Crédit Foncier on Wednesday, although he has not yet confirmed his decision in writing.

He is believed to have been frustrated because the replacement of Mr Jean-Claude Colli, the existing chairman or "governor", halfway through his mandate, was made by the state without consultation with the board members.

It is also thought he believes the current problems of Crédit Foncier are largely the fault of the government, notably its decision last autumn to abolish the PAFs, a state-backed low-income housing loan scheme which represented a high proportion of the company's business.

Mr Charles de Croisset, chairman of Crédit Commercial de France, the quoted banking group, formally resigned, in a move believed to be related to his view that the board did not function in a way typical of those in the private sector.

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Poland awards GSM mobile phone licences

By Christopher Bobbiski in Warsaw and Anthony Robinson in London

The Polish government yesterday awarded GSM mobile telephone operating licences to two foreign-led consortia which are expected to invest a total of \$2bn, including up to Ecu520m (\$421m) in licence fees to the treasury, over the next five years.

The winning consortia are:

Polkomtel, a group of powerful Polish companies together with Air Touch International from the US and Tele Danmark; and another Polish group headed by Polska Telefonia Cyfrowa (PTC), which is backed by US West and Deutsche Telekom.

The two winning consortia who took part in the tender offer will each have to pay Ecu101.5m initially as a licence fee and then make annual payments over five years depend-

ing on the number of subscribers. The sum of licence payments over the period will run to Ecu520m.

Under Poland's telecommunications law foreign participants in the consortia are limited to no more than 49 per cent of the equity. Both groups are expected to invest around Ecu101.5m in licence fees and capital equipment.

The losing consortium was headed by Ciech, a Polish chemicals and pharmaceuticals

trader which had linked up with Stet of Italy. It was the sole other bidder in the tender for the two licences. The outcome marks another setback for the Italian group, which recently lost its bid for 25 per cent of Svyazinvest, the Russian telecoms company, and also failed to gain a stake in the Czech and Hungarian telecoms privatisation programmes despite putting in higher bids than the winning consortia.

All three Polish consortia are amalgams of powerful local companies and foreign telecom companies.

Polkomtel's main local shareholders are Polska Miedzi, the highly profitable state-owned copper producer which is scheduled to be partially privatised this year, and Plock, Poland's biggest oil refinery company which is currently in the midst of a modernisation programme totalling more than \$1bn.

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INTERNATIONAL COMPANIES AND FINANCE

Strong debut for Bank West with 22% gain

By Nikid Tait in Sydney

Shares in BankWest, the Perth-based regional bank which was bought by Bank of Scotland for A\$900m (US\$671.6m) last year, made a strong debut on the Australian stock market, going to an immediate 22 per cent premium over their offer price.

BankWest shares opened at A\$2.515, and reached a high of A\$2.74 at one stage. They closed at A\$2.58, a level which capitalises the bank at A\$1.12bn.

The increased capitalisation places it within the Australian Stock Exchange's top 50 companies.

During the first two hours of trading, around 30m shares - almost 7 per cent of the equity - changed hands.

The shares had been expected to go to a premium after there was heavy demand from investors for the 49 per cent of the bank's equity which Bank of Scotland agreed to float on the stock market when it bought the institution from the Western Australian state government.

However, the closing price was at the upper end of pre-float estimates by analysts.

The successful launch of BankWest on the stock

exchange may help to dissipate some of the scepticism in the UK which surrounded the Bank of Scotland purchase last year - although this probably owed something to the strong share performance of the Australian banking sector generally in recent weeks.

Yesterday, Mr Warwick Kent, BankWest's managing director, said that the launch "augured well for the future of the bank's success", but added that "one has obviously to be cautious at this moment".

"We were helped by the strength of the banking sector, but we have no reason to change our forecasts in the prospectus," he said.

Moody's, the US ratings agency, has upgraded the debt ratings of Westpac, the large Australian bank, saying that this was based "on the soundness of Westpac's asset quality and on the improvement in its controls and systems, which enhance its prominent domestic franchise".

The long-term debt rating at the bank, which in the early 1990s was hit by bad debts and an ailing property portfolio, is raised from A1 to Aa3.

The upgrade came a day before the bank faces "atop-work" meetings, affecting some 17,000 employees around Australia over a wage claim.

Asset sales at Pancon to raise A\$400m

By Nikid Tait

Pancontinental Mining, the Australian mining group, is to raise more than A\$400m (US\$300m) from the sale of its non-gold mining assets - with the bulk of these going to British Hanson of the UK, which has a 40 per cent stake.

The sale follows the takeover of Pancon by Goldfields, a new company formed by Renison last year. Originally, once the bid was completed, Renison intended to transfer its own gold assets plus those of Pancon to Goldfields, and then move Pancon's non-gold assets into its own portfolio.

But the bid was bitterly contested and Goldfields only obtained a 87.6 per cent stake in its target. This meant that it could not mop up minority shareholders and the non-gold assets could not automatically be transferred to Renison.

Instead, Goldfields was obliged to put Pancon's non-gold assets up for auction, and Renison was forced to submit competitive bids.

Yesterday, Pancon said that, as a result of the auction, it expected to sell its Thlanga zinc/copper/lead mine to Renison for A\$120m, and its 5.56 per cent interest in the Central Queensland Coal Associates and Gregory Coal joint ventures to the same buyer for A\$232m.

Two smaller interests - the Lady Loretta base metals project and the Wodgina tantalum joint venture - will be sold to Triako Resources and Sino Mining International respectively. The prices would be A\$28.5m for Lady Loretta, and A\$5.2m for Wodgina.

The remaining interest for sale was a 40 per cent participating stake in the Queensland Magnesia joint venture, at Kurwarara. Pancon said three interested buyers had been shortlisted, but that the bid deadline had been extended to March.

Pancon will use the sale proceeds to repay debt - part at A\$164m at end-December, net of any cash - and then distribute remaining funds among its shareholders.

Fujitsu now second in Japan's PC league

A sea-change is occurring in Japan's personal computer industry as the domestic market is transformed from one of the most underdeveloped among industrialised countries to one of the fastest growing in the world.

Last year, amid a 71 per cent increase in Japanese PC shipments to 5.7m units, Fujitsu pushed aside aggressive US companies such as IBM, Compaq and Apple, to win the second largest share of the market after NEC.

According to a survey by Dataquest, the US high-tech consultancy, Fujitsu doubled its share of the Japanese market from 9.3 per cent in 1994 to 18.3 per cent last year. NEC, meanwhile, lost 6.7 points to 40 per cent, Dataquest reports.

However, the survey's findings are hotly contested by NEC, which denies that its market share has dipped below 50 per cent.

Nevertheless, the Dataquest report highlights the undeniable rise of Fujitsu in the domestic PC market and its clear ambition to catch up with NEC - which long reigned unchallenged - if not overtake it.

Although it is Japan's largest computer manufacturer, Fujitsu had been a somewhat uninspiring player in the PC market. But the company has made no secret of its urgent goal to become a market leader.

"If we're not a leader in this business, which is the fastest growing part of the computer industry, we can't be a leading computer company," said a Fujitsu spokesman. "This is survival for us."

The company surprised the industry by taking two bold steps.

First, Fujitsu swallowed its pride two years ago by abandoning its own proprietary PC architecture for an IBM-compatible format.

The Japanese company has always been proud of its engineering prowess to the point of arrogance.

But the choice facing the company was one between sticking to a proprietary architecture, which raised costs significantly above those of US computer makers producing for a world market, and adopting a global standard for which components could be bought off-the-shelf.

Fujitsu chose what it saw as

the necessary road to survival over its pride.

The second step Fujitsu took in pursuit of its objective was to launch a massive price offensive.

Dataquest notes that this strategy made the company the price leader in the Japanese market last year and calls it "the Fujitsu shock", after the

Survey shows the company has doubled its share of the domestic market, overtaking US groups IBM, Compaq and Apple, reports Michiyo Nakamoto

lyst at WestLB Securities Pacific in Tokyo, believes Fujitsu could take a 30 per cent market share in fiscal 1996.

But leadership in the Japanese PC market is not the final goal for Fujitsu.

"PCs are a thankless business with razor-thin margins," said a Fujitsu spokesman.

But PCs are crucial to Fujitsu because of what they provide the company in its other, more profitable businesses, namely infrastructure and network products.

As PCs spread among consumers, demand is growing for servers, which are used in corporate offices and in networks, and for mainframes. Fujitsu is a leading manufacturer of both products. It has an advantage over competitors if it is able to offer PCs, servers and mainframes as a package to corporate customers.

More PCs also mean more demand for system engineers, of which Fujitsu has 20,000 on its payroll, according to the company.

In addition, corporate demand for use of its network, Nifty-Serve, which is a joint venture with Nishio Iwai, a trading company, has been strong.

The largest network in Japan, Nifty-Serve itself is a \$300m to \$500m business with gross margins of 30 per cent and is expected to grow even more strongly this year.

In the home market, the spread of PCs helps Fujitsu sell its services, network, peripherals and software.

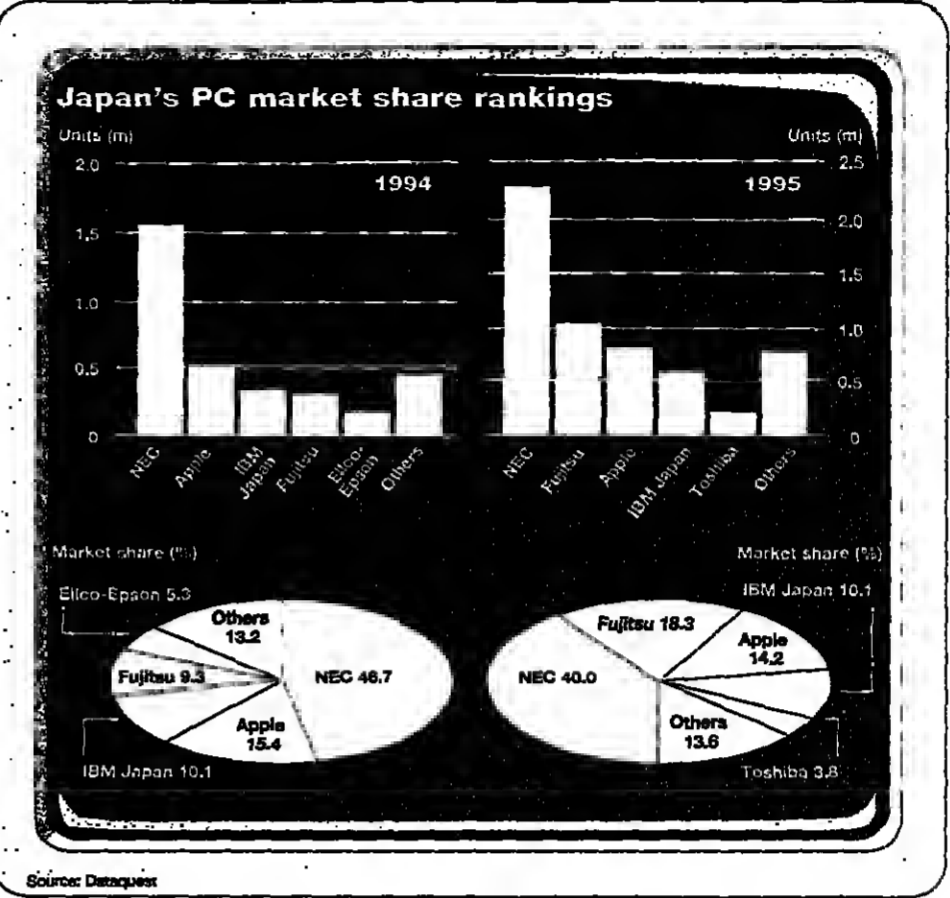
Just as important, the PC business also provides Fujitsu with information on how people are using their PCs, which in turn gives it knowledge of how to develop its other computer and network businesses.

Fujitsu's ambitions are not restricted to Japan. "This is the first full year that we will attack world markets," according to Fujitsu.

It has already started its offensive in Europe with ICL, its UK subsidiary. The two companies are also jointly building up business in the Asian market outside Japan.

This year, Fujitsu plans to expand its PC business in the US market, which will no doubt be its toughest test.

To date only Toshiba among Japanese computer makers has made a mark in the US.



Sharp profits reverse for Thai stockbroker

By Ted Bardacke in Bangkok

Phatra Thanakit, Thailand's third largest finance and securities company in terms of assets, announced that 1995 net profit fell 20 per cent compared with 1994, to Bt1.91bn (\$75.4m). Full financial figures were not released.

Analysts attributed the profit decline to a 34 per cent fall in brokerage revenues due to lower market turnover, and a fall in market share from 5.7 per cent to 5.5 per cent. This drop occurred partly as a

result of a loss of business from S.G. Warburg after it was acquired by Swiss Banking Corporation, which owns 40 per cent of a competing Thai finance company, Premier.

Net interest income at Phatra also declined about Bt200m, analysts said. Profit growth would have been stronger in 1995 had there not been substantial exceptional gains in 1994 due to real estate disposal, they added.

The company said it would pay a six-month dividend of Bt150 a share for the period ended December 31.

Sharp profits reverse for Thai stockbroker

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DANONE

PROVISIONAL 1995 RESULTS

In 1995, Danone Group demonstrated its resilience and vitality under difficult business conditions.

INCREASE IN SALES, NOTABLY OUTSIDE WESTERN EUROPE

Sales amounted to FF79.5 billion in 1995 after changes in the treatment of certain promotional discounts, compared with FF74.4 billion in 1994. Excluding the currency effect, sales rose 10%. This increase was driven by acquisitions, which contributed 5.5%, and by organic growth, which added 4.6%.

In Europe, sales rose 3.2%. All divisions reported higher sales except Bee, which was hurt by reduced consumption. Outside Western Europe, sales exceeded FF10 billion for the first time, rising 46% from FF7.8 billion to FF11.3 billion.

HIGHER OPERATING INCOME AND HEALTHY OPERATING MARGIN, STABLE AT 8.8%

Operating income rose 4.3% to FF7 billion from FF6.7 billion in 1994. Group operating margin held steady at high levels.

In Europe, Danone achieved an operating margin of 9.3%. All divisions maintained or improved their margins with the exception of Mineral Water, which suffered from a sharp increase in plastic prices despite satisfactory business during the year. Outside Europe, operating margin continued to increase steadily, reaching 5.9% in 1995 versus 5.0% in 1994.

NET INCOME REFLECTS DANONE'S COMMITMENT TO ENHANCING PRODUCTIVITY IN EUROPE

To make the European businesses more competitive, the Board of Directors, acting on Chairman Antoine Riboud's proposal, decided to set aside an exceptional provision of FF1.8 billion, or FF1 billion after tax. This provision, combined with external factors such as additional taxes in France and exchange rate fluctuations in Europe, had a negative impact on net income, which amounted to FF2,130 million compared with FF3,527 million in 1994. Excluding the impact of external and exceptional items, net income increased by around 3%.

The measures connected to this provision should eventually generate savings of FF1 billion. Danone's long-standing labor relations policy will allow it to offer solutions to the employees concerned by these measures.

The Board of Directors is considering to maintain the dividend at the 1994 level.

ACTIVE INTERNATIONAL EXPANSION

In Dairy Products, the Group is pursuing its expansion into new regions. Danone is a global leader in Dairy Products; it became market leader in Eastern Europe in 1995. In 1995, Danone will continue to develop, notably in Argentina and South Africa.

In Biscuits, Danone is now the world's largest producer with 50% of volumes sold outside Europe. Danone has become the leading biscuit producer in Argentina, China and Russia. In Indonesia, the Group has built a biscuits plant, whose output is marketed under the "Danone" brand.

In the United States, Danone Group decided to use the strength of its "Dannon" brand to introduce a new bottled natural spring water. In addition, Danone recently acquired one of the leading breweries in the Beijing region, with the aim of participating in the development of beer consumption in emerging markets.

Antoine Riboud emphasized the Group's performance in a challenging environment, which enabled it to maintain market share and increase both sales and operating income.

The provision set aside for the year will further enhance the Group's competitiveness and efficiency in Europe.

The company's strong cash flow and low debt provide Danone with the resources to pursue expansion.

Mortgage Securities (No.3) PLC

\$63,000,000 Class A1
\$39,000,000 Class A2
\$15,000,000 Class A3
\$8,000,000 Class B

Mortgage backed notes due 2035

For the interest period 31 January 1996 to 30 April 1996 the notes will bear interest as follows:

Class A1: 7.0625% per annum
Class A2: 6.8625% per annum
Class A3: 6.9625% per annum
Class B: 7.3125% per annum

Interest payable 30 April 1996 will be as follows:

A1: \$17.31 per \$100 note
A2: \$1,687.50 per \$100,000 note
A3: \$1,712.09 per \$100,000 note
B: \$1,798.16 per \$100,000 note

Agent: Morgan Guaranty Trust Company
JPMorgan

Sun Hung Kai Properties Finance International Limited

HK\$650,000,000

Guaranteed Floating Rate Notes due 2001 unconditionally and irrevocably guaranteed by Sun Hung Kai Properties Limited

In accordance with the terms and conditions of the Notes, the rate of interest applicable for the interest period Jan 31, 1996 to July 31, 1996 is 6.5075% per annum.

Interest payable on July 31, 1996 per Note of HK\$50,000 will be HK\$3,267.38.

Bankers Trust Company, London Agent Bank

ALLIANCE LEICESTER

Alliance & Leicester Building Society

£250,000,000

Floating Rate Notes due 1999

For the Interest Period 30th January, 1996 to 30th April, 1996, the Notes will carry a Rate of Interest of 6.3625 per cent per annum with interest amounts of £158.19 per £100,000 principal and £1,581.93 per £100,000 principal payable on 30th April, 1996.

Issued on the London Stock Exchange.

Bankers Trust Company, London Agent Bank

PROVINCE OF BRITISH COLUMBIA

U.S. \$10,000,000

Floating Rate Notes, Series BCEUS-2, due 2003

In accordance with the terms and conditions of the Notes, the interest rate for the period 28th February, 1996 to 28th August, 1996 has been fixed at 5.5% per annum. The interest payable on 28th August, 1996 will be U.S. \$27,000,000 per U.S. \$1,000,000 principal.

Fiscal Agent, Agent Bank and Paying Agent: ROYAL BANK OF CANADA

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ROYAL BANK OF CANADA

U.S. \$10,000,000

Floating Rate Notes, Series BCEUS-2, due 2003

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INTERNATIONAL COMPANIES AND FINANCE

AMERICAS NEWS DIGEST

Kmart launches stock shake-up

Kmart, the struggling US discount store group, yesterday announced a merchandising shake-up in an attempt to get more attractive products on its shelves. As part of the reorganisation, it said Ms Michele Fortune, general merchandise manager for ladies' apparel and fashion accessories, and Mr William Parker, general merchandise manager for home decor, were leaving "to pursue other interests".

Kmart is suffering from acute financial difficulties because of its failure to compete with Wal-Mart Stores and other, more successful, discount store groups. Mr Floyd Hall, who was brought in as the new chairman and chief executive last year, has been criticised for not acting quickly enough to turn the company round.

With the restructuring, Kmart's general merchandise managers for softlines, hardlines and consumables will report to Mr Warren Flick, general merchandise manager for Kmart's US stores.

Richard Tomkins, New York

Whirlpool tumbles 81%

Whirlpool, the US white goods manufacturer, confirmed its gloomy forecast for the fourth quarter with an 81 per cent slump in net earnings to \$18m, or 25 cents a share, on sales unchanged at \$2.1bn.

The company said it expected "solid improvement" this year, but warned of a lower year-on-year comparison in the first quarter.

Whirlpool said it expected a 1 per cent rise in industry shipments in the US this year, and continued strong demand in Asia and Latin America. In Europe, it expected higher margins, despite economic sluggishness, because of re-designed products and cost savings.

For the full year, earnings were \$30m, or \$2.80 a share, down 37 per cent before exceptional items. Sales were up 3 per cent to \$5.4bn. Whirlpool's shares rose 81% to \$56 in early trading.

Tony Jackson, New York

Accountants plan new arm

Deloitte Touche Tohmatsu International, the global accountancy organisation, yesterday took the first step towards developing a global consultancy arm from within its own ranks. Deloitte & Touche in the UK will link its consultancy practice with Deloitte & Touche Consulting Group in the US and Canada.

Mr Pat Lacono, who will head the new global consultancy of Deloitte & Touche Consulting Group, said consultancy practices in Europe, Australia, South Africa, and the Pacific Rim would follow within two years. The combined revenues of the global organisation's consultancy arms in 1995 were \$1.4bn.

The move is primarily in response to clients' requests for consultancy services to operate across borders. The new structure, which will eventually place all consultancy partners in the same global profit pool, may also protect the new firm from legal claims made against the audit and accounting side of the business.

Jim Kelly, Accountancy Correspondent

Light auction rescheduled

Brazil's National Privatisation Council (CND) has rescheduled the privatisation auction of federal power distributor Light to April 18 from a March 13. The CND, a government body, had been widely expected to postpone the auction in response to concerns from investors who have said they need more time to muster the necessary cash for what should prove Brazil's biggest privatisation to date.

Reuter, Rio de Janeiro

Credit card groups to co-operate on Internet security

By Louise Kehoe in San Francisco

Visa International and MasterCard International, the credit card associations, have agreed to collaborate in creating a system to ensure the security of credit card transactions on the Internet.

The move is expected to accelerate the development of electronic commerce and bolster consumer confidence in the security of shopping in cyberspace.

In agreeing to a single standard, Visa and MasterCard have resolved a dispute that surfaced last September when each separately announced its own approach to processing credit card payments in cyberspace.

Visa has been working with Microsoft, the world's largest software company, to create a method of encrypting credit card numbers as they are transmitted over the Internet. Visa and MasterCard has partnered with Netscape Communications, the leading Internet software provider.

The two groups will now join forces to develop a single standard.

This will enable consumers and merchants to conduct bank card transactions in cyberspace more easily, they said yesterday.

Visa and MasterCard said they would publish the technical specifications of the payment system, called the Secure Electronic Transactions specification, in mid-February and make the software code freely available shortly afterwards.

"This is the first step in making cyberspace an attractive venture for banks and merchants," said Mr Edmund Jensen, president and chief executive of Visa International.

"A single standard limits unnecessary costs and builds the business case for doing business on the Internet."

The card associations will separately conduct tests of SET with consumers, merchants and financial institutions, followed by a joint test.

Netscape shares drop after Internet buy

By Louise Kehoe in San Francisco

Shares of Netscape Communications, the US Internet software company, dropped \$12 to \$152 in early trading yesterday, despite reporting an 85 per cent jump in fourth-quarter revenues.

The share fall may have been influenced by the dilutive effect of an acquisition, announced late yesterday. Netscape is to acquire InSoft, a developer of audio and video software for the Internet, for newly-issued shares valued at about \$150m.

Netscape's revenue growth was fuelled by rapid growth in business use of the global Internet and internal corporate "Intranets" based on the same software.

Completing its first full year of operations, the company reported fourth-quarter revenues of \$40.6m, up from \$22m in the third quarter.

In the same period a year ago, before Netscape began

selling most of its current products, it recorded revenues of \$1.3m.

Net income for the fourth quarter of \$2.4m, or 6 cents a share, compared with \$600,000, or 2 cents, in the previous quarter. For the same period a year ago, the company recorded a net loss of \$7.5m, or 22 cents.

The company reported a net loss for the year of \$3.4m, or 9 cents, on revenues of \$80.7m.

The results included a charge of \$2m related to the acquisition of Collabra Software, another Internet software company.

Without the charge, fourth-quarter income would have been 10 cents a share, well above analysts' projections of about 5 cents.

The InSoft purchase will enable Netscape to expand its product portfolio quickly, said Mr Jim Barksdale, president and chief executive, and Netscape's high share price makes it an "attractive trading currency".

"Netscape has shown tremendous growth in its first full year of product shipments, becoming what we believe to be one of the fastest-growing companies in history based on first-year revenues," Mr Barksdale added.

About two-thirds of Netscape's fourth-quarter revenues came from corporate customers, Mr Barksdale said.

The business market for Internet software is "really beginning to take off," he added.

Johnson Controls near Ford 'world car' deal

By Peter Marsh

That puts them among the top 12 automotive suppliers worldwide.

The seats for the CW-170 project would be made from about 1998. They would be produced largely in existing Johnson plants in North America and Europe.

Including joint ventures, Johnson has 11 factories in Britain, where the company employs about 3,000 people - out of a European workforce of roughly 7,000. Johnson's UK factories could be responsible for almost a quarter of the entire CW-170 seat output.

Johnson and Lear between them account for roughly half the \$16bn-a-year car seat manufacturing industry in North America and Europe. Each company claims number one position.

Their combined share of the seat "outsourcing" market in North America and Europe - that section of the industry which is controlled by independent seat makers as opposed to the car companies themselves - is put at about 70 per cent.

In recent years, Johnson has established strong links with Ford in Europe, winning a contract to supply seats to existing versions of Ford's Fiesta and Escort models made in the UK, Germany and Spain.

Ford would not comment on the contract for the CW-170,

expected to be made to the same basic design in North America and Europe. However, an automotive industry official close to the discussions said: "Johnson has as good as won the contract." The deal is expected to be concluded in the next few months.

Since the mid-1980s, most car companies have switched from making virtually all their seats themselves to contracting out a large part of the job. The switch has given both Johnson and Lear the opportunity for rapid sales growth, helped by an aggressive acquisition strategy by both companies.

Last year, Lear bought Automotive Industries, a US sup-

plier of interior trim products which are seen as complementary to seating, for \$926m. Johnson recently paid an estimated \$180m for a 75 per cent stake in Roth Freres, a large French seat maker which is a big supplier to Renault.

Lear has put particular emphasis on expanding in emerging markets for cars, in South America and in eastern Asia outside Japan.

In an interview, Mr Ken Way, Lear chairman and chief executive, said he hoped that by 2000 the company would have sales in these regions of about \$700m a year, a roughly fivefold increase on the current position.

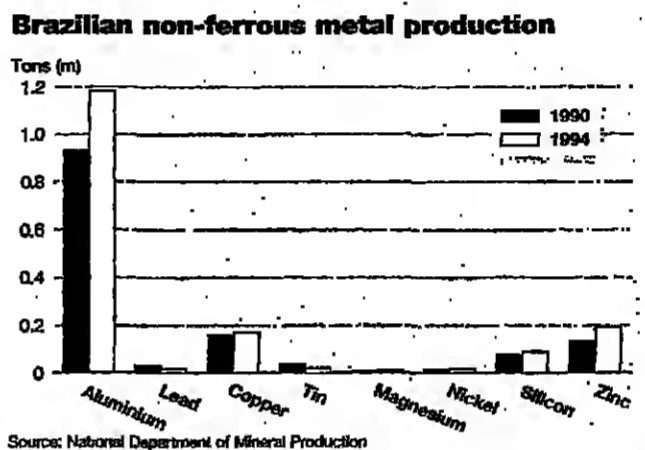
Brazil plans to raise non-ferrous potential

A disparate group of companies is being brought together to form a driving force

At Banco Fator in São Paulo, Mr Valter Appel believes he has a deal that will turn a mixed bag of companies into a driving force in Brazilian non-ferrous metals.

"The idea was to take four companies, each with its own problems, and put them together in such a way that two and two made five or six and not three," he says.

Success is by no means assured. Depressed international prices for non-ferrous metals and the strength of Brazil's currency are causing problems for the mining and metal-lurgy industry, which depends largely on exports. The companies suffer other difficulties,



competitors operating in the same market.

The deal's architects brush off such criticisms. Mr José Valdir Ribeiro dos Reis, president of Previ, argues that Parapanema and Caralba are both profitable and efficient, and that Paraluna's operations should go into profit within the next year.

The deal will also help resolve specific problems: Paraluna's debt of more than \$90m will be cut almost in half, partly by use of credits of \$120m held by Parapanema. Financial restructuring will allow Paraluna access to cheaper credit; its ability to pay suppliers promptly will open access to better raw materials, leading to improvements in productivity.

The deal will also lead to new investments. Mr Appel says CBMNF will spend \$110m a year "for the next few years" on research into new products and applications. Paraluna will build a 60MW hydroelectric power station at a cost of \$50m, to begin operating in late 1997; it has concessions to build two more.

Not all analysts are critical of the deal. Mr Luciano Snel, of Rio-based investment bank Ito, points out that a change from family to professional management has worked wonders for other Brazilian companies in the past. And he says there is great potential for future deals with companies such as Companhia Vale do Rio Doce, the mining group earmarked for privatisation this year.

Indeed, that potential may be realised sooner rather than later. Mr dos Reis at Previ says CVRD and steel company CSN have committed themselves to taking a stake in the new company before the deal is finalised. However, while admitting the possibility, both companies say they will hold fire until an audit of all four operating companies is complete.

Jonathan Wheatley

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 Guaranteed Secured Floating Rate Notes Due 2001
 Issued April 12, 1996

NOTICE IS HEREBY GIVEN that pursuant to Sections 9.02 and 9.05 of the Indenture, U.S. \$3,000,000 in principal amount of the YCM Investments N.V. Guaranteed Secured Floating Rate Notes (the "Senior Notes") issued and outstanding are to be called for redemption on March 31, 1996 (the "Mandatory Redemption Date") (each redeemed Senior Note hereinafter referred to as the "Redeemed Senior Note"). The Redeemed Senior Notes shall be redeemed at an amount (the "Mandatory Redemption Price") equal to the outstanding principal amount of such Notes together with accrued and unpaid interest thereon to 6:05PM through the Mandatory Redemption Date. The Mandatory Redemption Price will become due and payable upon U.S. \$3,000,000 in principal amount of Senior Notes. The amount payable in respect of the Redeemed Senior Notes shall be limited to the Mandatory Redemption Price and interest on such Redeemed Senior Notes shall cease to accrue on the Mandatory Redemption Date.

The Redeemed Senior Notes were selected by the Trustee by lot from the outstanding Senior Notes. The particular Notes to be redeemed bear the following certificate numbers:

16	172	192	360	454	521	536	640	667	694
69	173	275	383	474	570	626	646	674	693
168	185	314	412	485	532	628	645	677	697

Payment shall be made on or after March 20, 1996 upon delivery to the Paying Agent of the Redeemed Senior Notes together with all unremitted coupons. Please insure safe delivery by appropriate means to one of the following Paying Agents outside the United States:

Banque Générale du Luxembourg S.A. 50, Avenue J. F. Kennedy L-2951 Luxembourg	Generale Bank 3 Montparnasse Place, B-1000 Bruxelles Belgium
Banque Générale du Luxembourg (Suisse) S.A. 57 Remarque, CH-8023 Zurich Switzerland	

IMPORTANT
 If the Redeemed Senior Notes are not paid on the Mandatory Redemption Date, such Senior Notes shall remain outstanding, and such non-payment shall not constitute an Event of Default.
 By: Texas Commerce Bank National Association
 as Trustee on Behalf of
 YCM Investments N.V.
 Dated: February 2, 1996

Notice of Early Redemption to Holders of
 Series C, D, M, F & I
 of
RSVP City Limited
 (Incorporated with limited liability in the Cayman Islands)
 U.S. \$27,000,000
 Guaranteed Extendible Variable Rate Notes due 2006/2007

NOTICE IS HEREBY GIVEN that in accordance with Section 5.03(a) of the Indenture, dated 26th September, 1990, Series C, D, M, F & I of the U.S. \$27,000,000 Guaranteed Extendible Variable Rate Notes due 2006/2007 of RSVP City Limited (the "Bonds") will be redeemed in full by RSVP City Limited on the Interest Payment Date falling on 29th February, 1996 at their Principal Amount outstanding on that date together with interest accrued to the Date of Redemption.

Paying Agents
 Bankers Trust Company
 1 Appold Street
 Broadgate
 London EC2A 2HE

Bankers Trust Luxembourg S.A.
 P.O. Box 807
 14 Boulevard F.D. Roosevelt
 L-2450 Luxembourg

Interest shall cease to accrue on the Bonds from 29th February, 1996.

Bankers Trust Company, London
 2nd February, 1996

Principal Paying Agent

Residential Property Securities No. 2 PLC
 £200,000,000
 Mortgage Backed Floating Rate Notes 2018

The rate of interest for the three month period 31st January, 1996 to 30th April, 1996 has been fixed at 6.6375 per cent per annum. Coupon No. 31 will therefore be payable on 30th April, 1996 at £1,632.17 per coupon.

Aggregate interest charging balances of Mortgages redeemed during the previous Interest Period: £2,211,118.00
 Aggregate interest charging balances of Mortgages redeemed as at 31st January, 1996: £225,848,583.65
 The aggregate principal amount of Notes outstanding as at 31st January, 1996: £62,000,000.

S.G. Warburg & Co. Ltd.
 Agent Bank

Notice of Early Redemption to Holders of
 Series F
 of
RSVP MAYFAIR LIMITED
 (Incorporated with limited liability in the Cayman Islands)
 U.S. \$79,000,000
 Guaranteed Extendible Variable Rate Notes due 2006

NOTICE IS HEREBY GIVEN that in accordance with Section 5.03(a) of the Indenture, dated 31st March, 1992, Series F of the U.S. \$79,000,000 Guaranteed Extendible Variable Rate Notes (the "Bonds") will be redeemed in full by RSVP MAYFAIR LIMITED on the Interest Payment Date falling on 23rd February, 1996 at the Principal Amount outstanding on that date together with the interest accrued to the Date of Redemption.

Principal Paying Agent
 Goldman Sachs
 (Cayman) Trust, Limited
 P.O. Box 896
 Grand Cayman
 British West Indies

Paying Agent
 Kredietbank S.A.
 Luxembourg
 43 Boulevard Royal
 Luxembourg

Interest will cease to accrue on the Bonds from 23rd February, 1996.

Goldman Sachs (Cayman) Trust, Limited
 Principal Paying Agent
 2nd February, 1996

WOOLWICH
 - Building Society -

\$200,000,000
 Floating rate notes
 due 1998

Notice is hereby given that the notes will bear interest at 6.4125% per annum from 31 January 1996 to 30 April 1996. Interest payable on 30 April 1996 will amount to \$1,576.68 per \$100,000 note and \$1,576.84 per \$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

THE EUROPEAN WARRANT FUND
 Société d'Investissement à Capital Variable
 Registered office:
 6, route de Trèves, L-2633 Senningerberg
 R.C. Luxembourg B 32 792

The Company became an open-ended investment company qualifying as a Société d'Investissement à Capital Variable under the laws of Luxembourg on 1st January 1996 as previously approved by the shareholders at the Extraordinary General Meeting of 30th November 1995. The change in the Company's corporate structure was prompted by continuing concerns relating to the level of discount at which the Fund's shares had been trading, and a desire to improve the liquidity of the Company's shares.

The level of the redemption requests since the Company became an open-ended investment company, and the Board's awareness that a large proportion of existing shareholders are intending to redeem their shares in the near future, have made it clear that the assets of the Company will be significantly reduced such that efficient management and reasonable control of costs can no longer be assured.

As a result, the shareholders of the European Warrant Fund are hereby notified that an Extraordinary General Meeting will be held on Tuesday 13th February 1996 at 15:00 hours (Luxembourg time) at the registered office of the Company with the following agenda:

- To resolve on the liquidation of the European Warrant Fund;
- To appoint a liquidator.

Shareholders are advised that the quorum for this Extraordinary General Meeting is 30% of the shares of the Company outstanding and to be valid, resolutions must be carried by a majority of two thirds of the shares represented at the meeting.

The holders of bearer shares who wish to attend this meeting are requested to deposit their shares five days prior to the meeting with

Kredietbank S.A. Luxembourggoise, Conservation titres
 43 boulevard Royal, L-2955 Luxembourg

Shareholders who cannot personally attend the meeting are requested to use the prescribed form of proxy (available at the registered office of the Company). Proxies should be returned at the latest on the day preceding the meeting to the Company, c/o Fleming Fund Management (Luxembourg) S.A., L-2888 Luxembourg.

By order of the Board of Directors
 January 1996

FLEMINGS

RPS
 Residential Property Securities No. 4 PLC

£290,000,000
 Class A1 Notes
 Mortgage Backed Floating Rate Notes due 2023

£180,000,000
 Class A2 Notes

In accordance with the provisions of the Notes, notice is hereby given that for the three month period 31st January 1996 to 30th April 1996, the Class A1 Notes and Class A2 Notes will carry an interest rate of 6.4625% and 6.5375% per annum respectively. The interest payable per £100,000 Note will be £1,127.84 for the Class A1 Notes and £1,607.58 for the Class A2 Notes.

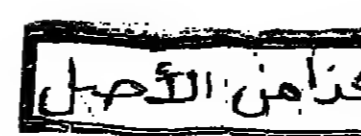
Temple Court Mortgages (No. 1) PLC
 £175,000,000
 Mortgage Backed Floating Rate Notes 2029

The rate of interest for the period 31st January, 1996 to 30th April, 1996 has been fixed at 6.3625 per cent per annum. Coupon No. 29 will therefore be payable on 30th April, 1996 at £1,613.37 per coupon.

S.G. Warburg & Co. Ltd.
 Agent Bank

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COMPANY NEWS: UK

Agreed £177m takeover creates one of the largest credit insurers

SFAC buys Trade Indemnity

By Ralph Atkins in London and Andrew Jack in Paris

Trade Indemnity, the credit insurer, yesterday announced an agreed £177.3m (\$273m) takeover by Compagnie Financière SFAC - which would leave the UK credit insurance market controlled almost entirely by foreign-owned groups.

The deal ends a tumultuous chapter for Trade Indemnity, which suffered heavy losses during the last recession and saw the short-term insurance arm of the government's Export Credits Guarantee Department acquired in 1991

by its Dutch rival, NCM. The SFAC takeover would create one of the world's largest credit insurers.

The companies said it would allow the joint development of information technology and the combined group would be better set to meet the increasing demands of multinational clients.

Undertakings to accept the cash offer have been received from investors representing 53 per cent of the shares. These are insurers Commercial Union, Guardian Royal Exchange, Munich Re and Swiss Re.

SFAC's main activity is

French domestic credit insurance, but it has a 17 per cent stake in Coface, the French export insurer. The group is 49.9 per cent controlled by the state-owned Assurances Générales de France, with reinsurers including Scor, Swiss Re and SAFR having stakes.

Following the deal, only minor shares of the UK market will be held by locally-owned short-term credit insurers - principally Sun Alliance and Lloyd's of London syndicates. Trade Indemnity claims a 44.2 per cent market share and thinks that NCM accounts for a further 36.5 per cent.

But Mr John Bishop, who

became Trade Indemnity chief executive in September, said it had worked closely with SFAC for some years. "Issues of nationality cease to be important. What is important is the quality of service."

In a separate move Coface LBF, the UK arm of the French insurer, announced it had joined Trade Indemnity and NCM in being eligible to "top-up" reinsurance from the ECGD. This, it claimed, would allow Coface to compete on the same terms as its UK rivals.

SFAC is offering 97p a share and Trade Indemnity shareholders will receive a second interim dividend of 1.4p.

Misys rises 11% boosted by ACT acquisition

By Christopher Price

Shares in Misys rose 11 per cent yesterday after the accounting software group reported a 71 per cent rise in interim pre-tax profits, boosted by the purchase last year of ACT Group.

The rise, from £11.2m to £19.2m, was struck following a more than doubling of turnover to £129.5m in the six months to November 30.

The shares rose 82p to 637p.

Misys supplies software products to banks and insurance groups, as well as other institutions such as universities, stockbrokers and hospitals.

The purchase of ACT last April for £193.3m benefited Misys' banking business. Sales rose four-fold to £64.8m, and operating profits jumped from £2.26m to £12.5m. The division's share of group profits rose from 20 to 55 per cent.

Mr Kevin Lomax, chairman, said the assimilation of ACT had exceeded expectations and the increased banking order book should benefit the second half.

The drivers to the business continued to be in the emerg-

ing markets, with south-east Asia particularly strong as national and private banks strove to update accounting systems.

India and Africa had also seen strong improvement in sales, and an office had been opened in Miami to facilitate opportunities in South America.

However, the more mature western markets had also been firm, as banks and other financial institutions sought to improve their accounting systems to include new instruments such as derivatives.

Profits in the insurance business fell to £6.01m (£8.2m) on turnover 8 per cent up at £18.05m.

Mr Lomax said profits had been restrained by a big investment programme, the benefits of which should also start to show in the second half.

Research and development expenditure had been running at 22 per cent of divisional turnover, but this had now fallen to 12 per cent.

Mr Lomax said the group was examining areas in which to concentrate resources, with particular reference to international applications.

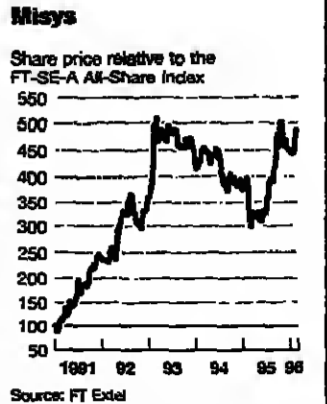
LEX COMMENT

Reassuring Misys

The most reassuring feature of yesterday's results from Misys was the strength of its cash flow. Despite record levels of development spending and heavy reorganisation costs, the UK software group still managed to halve its borrowings. The 11 per cent rise in the shares suggests the market is starting to feel more comfortable about last February's £190m takeover of ailing rival ACT.

The numbers certainly show that Misys is making a success of its purchase. Turnover, profits and orders were all up strongly, thanks to a better than expected contribution from ACT. The acquisition has consolidated the group's leadership in the rapidly growing market for banking software. In emerging markets, like India, Misys sells standard packages to retail banks building up branch networks. In the west it specialises in treasury, risk management and back office systems. The high cost of developing their own software means banks are increasingly willing to contract out their computer infrastructure to companies like Misys. The group's other business, insurance software, is growing just as rapidly, as traditional brokers use computers to compete with direct insurers. Margins here are a handsome 35 per cent. Almost half the group's turnover is recurring revenue from maintenance and support contracts.

Despite the strength of the share price - it has doubled in a year - a prospective rating of 14 times earnings still puts Misys on a discount to comparable UK software companies. It deserves better.



Molecular acquires three US concerns

By Daniel Green

Oxford Molecular, which writes software for the pharmaceuticals industry, is to buy three US companies worth \$13.6m and a 1-for-7 rights issue to raise £16.2m (\$25m).

The market welcomed the moves and the shares rose 13p to 324p on Wednesday, after the announcement, against the rights price of 255p and a price a year ago of less than 90p.

Mr Tony Marchington, chief executive said that yesterday was "the most important day for the company since flotation" in April 1994.

Revenues would come largely from licence fees from

drugs companies and contracts to operate networks within those businesses.

The businesses being acquired are:

- the Baltimore, Maryland, Chemical Informatics division of PSI International which provides software for the management of chemical information. It had sales of \$774,000 in 1995.
- MacVector of Eastman Kodak, Rochester NY, which sells software for DNA sequencing. Sales in 1995 were \$1m.
- Health Designs, also in Rochester, which makes toxicology prediction software. Sales were \$534,000 in 1994/95.

The rights issue is underwritten by Baring Brothers.

ERF warns and reduces S Africa holding to 30%

By John Griffiths

Shares in ERF, the heavy truck maker, plunged 60p to 182p yesterday, after the company warned that profits would be significantly lower than forecast this year because of an order slump in November and December.

The warning coincided with ERF announcing its was cutting its holding in ERF South Africa, its South African sub-

siary, from 56.1 per cent to 30 per cent. It will provide the UK company with a net cash injection of about £2.3m (\$3.5m), to be used to cut debt.

However, Mr Colin Fuller, finance director, said yesterday that the South Africa restructuring had been planned, well before the unexpected drop in orders at the end of last year. He stressed that it was directed at increasing ERF's presence in South Africa.

Poised for fresh foray into UK?

Michael Lindemann on Gehe as it mulls over a Lloyds Chemists bid



Dieter Kämmerer: considerable practice at acquisitions

As Mr Dieter Kämmerer sits in his Stuttgart office contemplating whether or not to bid for Lloyds Chemists, the UK retailer already subject to a \$520m offer from UniChem, one thought is uppermost.

It's chief executive of Gehe, Europe's largest pharmaceuticals wholesaler, ventured into the UK market last May when he bought AAH for £400m, and he has had no cause to complain. "We've had an excellent experience with our acquisition," he said. "Our estimates turned out to be correct. In fact, in terms of AAH's core business, the results have been better than expected."

There is some reason, then, to suppose that Lloyds would be a sensible further UK acquisition. AAH's activities are mainly in the wholesale business but it also has a network of pharmacies. At Lloyds, the balance is tipped the other way, suggesting that the two are "rather complementary", as the 59-year-old Mr Kämmerer puts it.

Gehe and Lloyds are still in talks after the German company requested confidential financial information earlier this week. But Mr Kämmerer is not letting slip any further information.

He says Gehe has until February 14 to make a bid. Analysts suspect it would have been in the range of 450p-500p a share to knock out the 408p friendly bid tabled by UniChem, the UK's leading pharmaceuticals wholesaler.

Apart from offering more, a

possible bid by Gehe would seem to have a further advantage for Mr Allen Lloyd, the group's founder. "The UniChem bid is cash and shares," one analyst pointed out, "while Gehe would offer just cash. A straight cash bid would clearly have its attractions."

Another reason why Mr Kämmerer is not likely to balk at reaching into Gehe's pockets to buy Lloyds is that he has had considerable practice at making acquisitions.

A series of aggressive purchases in France, the UK and elsewhere in Europe has caused Gehe's sales to leap from DM3.78bn (£1.7bn) in 1990 to an estimated DM18.8bn last year.

Net profits have kept up the pace, rising from DM59m in 1990 to DM140m in 1994. The German press estimates that Gehe will report net profits of DM180m in 1995, but Mr Kämmerer permits himself only a slight aside: "If that's the case then they have underestimated us."

But while the odds seem to be on the side of Mr Kämmerer - a former IBM manager who came to Gehe in 1980 - joining the fray, his mind is not made up.

"If you are pursuing a long-term strategy as we are, you watch the markets and everything that's going on out there," he says. "Having made our appraisals we could say - given the sum of money that is to be spent - is this really what we want? Perhaps we would be better off spending the money in other regions".

IN EUROPE IN DEPTH

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COMMODITIES AND AGRICULTURE

Funds drive gold still higher

By Deborah Hargreaves

The gold market surged ahead in New York yesterday as speculative investment funds poured fresh cash into buying gold futures on the Commodity Exchange (Comex). The London bullion market price was \$450 higher at the close at \$410.20 a troy ounce - breaking through the important \$410 barrier and establishing a 5 1/2% high.

Barrick Gold that it was reducing its hedging position by 100 tonnes. Traders regard this as significant as the company is one of the largest hedgers in the market and could encourage other mining companies to follow its lead.

Gold producers have tended to put a cap on any price rise in the recent past by taking the opportunity to selling their production forward. If companies reduce their hedge positions, this will give the market more freedom to move higher.

The price through \$410," one trader said. Gold has been rising steadily since the beginning of the year and some traders believe it could go higher still.

Florida frost fears boost New York OJ market

By Deborah Hargreaves

New York's orange juice futures rose by their daily limits for the second day running yesterday when prices surged on fears that Florida's citrus crop would be damaged by a cold air mass heading for the state.

New weapons found for locust-control battle

David Dixon on efforts to forestal swarming

Recent research findings by British and Kenyan scientists have significantly improved the prospects for developing a more effective and cheaper long-term strategy to control locusts.

Locust plagues have been threatening food production ever since man first started farming. A swarm can eat, in one day, crops that could feed over 100,000 people.

Today over 60 countries in Africa, the Middle-East and Asia are threatened regularly by outbreaks. Swarms are highly mobile, travelling up to 200km a day, and it takes a massive and costly campaign to stop them.

Guyana's cyanide spill mine to reopen

By Canute James in San Juan, Puerto Rico

Guyana's parliament has approved the reopening of the controversial Omai gold mine, but the date of a restart will be determined by the government's reaction next week to the miner's proposals for safeguarding the environment.

The prime minister rejected changes that the government had been pressured into approving the reopening of the mine. Government officials would have repeatedly said the mine would not be reopened until the administration was satisfied that it could be operated in as safe a manner as humanly possible.

Resources, both of Canada, own 85 per cent and 30 per cent, respectively, of Omai Gold Mines, with the Guyana government owning 5 per cent. A \$200m venture, Omai is said to be one of the largest open pit gold mines in South America.

The government described the cyanide leak as an "environmental disaster", while the company maintained that it was an "industrial accident". The company said it would make reparations for any damage caused by the leak.

Australian company studies Namibian copper

By Kenneth Gooding, Mining Correspondent

An attempt is being made to revive the Hab copper project in Namibia. A small Australian company, Great Fitzroy Mines, and its joint venture partner and close associate, Namibian Copper Mines, are to spend about US\$7.5m for a bankable feasibility study that they hope will lead to annual production of 65,000 tonnes of the metal, starting in 1998.

He suggests the venture will be financed 25 per cent by equity and the rest by debt. He says the Namibian government is enthusiastic about the project and his company is already in discussions with the government about such things as the tax to be charged, water and power costs and repatriation of profits.

Namibian Copper had been set up by Great Fitzroy to raise money from US investors, who were more willing to put money into copper projects than the Australians, he says. The US company hopes to raise a further \$11.5m of working capital by April. Eventually, it is hoped Namibian Copper will also be listed on the Namibian stock exchange.

with it the copper price averaged \$1 a pound, the capital cost would be recovered in the first seven years of the mine's expected 25 year life, says Mr Prentice.

COMMODITIES PRICES

BASE METALS

Table with columns: Metal, Price, Change, High, Low, Vol, Open. Includes Aluminum, Zinc, Lead, Nickel, Tin.

Precious Metals continued

Table with columns: Metal, Price, Change, High, Low, Vol, Open. Includes Gold, Silver, Platinum, Palladium.

GRAINS AND OIL SEEDS

Table with columns: Grain, Price, Change, High, Low, Vol, Open. Includes Wheat, Maize, Soybeans, Barley.

SOFTS

Table with columns: Commodity, Price, Change, High, Low, Vol, Open. Includes Cocoa, Coffee, Sugar.

MEAT AND LIVESTOCK

Table with columns: Commodity, Price, Change, High, Low, Vol, Open. Includes Live Cattle, Live Hogs, Pork Bellies.

ENERGY

Table with columns: Commodity, Price, Change, High, Low, Vol, Open. Includes Crude Oil, Heating Oil, Natural Gas.

CRUDE OIL (Brent)

Table with columns: Price, Change, High, Low, Vol, Open.

POTATOES

Table with columns: Price, Change, High, Low, Vol, Open.

INDEXES

Table with columns: Index, Price, Change, High, Low, Vol, Open.

PRECIOUS METALS

Table with columns: Metal, Price, Change, High, Low, Vol, Open. Includes Gold, Silver, Platinum, Palladium.

NATURAL GAS

Table with columns: Price, Change, High, Low, Vol, Open.

UNLEADED GASOLINE

Table with columns: Price, Change, High, Low, Vol, Open.

INDEXES

Table with columns: Index, Price, Change, High, Low, Vol, Open.

JOTTER PAD

Table with columns: Commodity, Price, Change, High, Low, Vol, Open. Includes Live Cattle, Live Hogs, Pork Bellies.

CROSSWORD

Crossword puzzle grid with clues and solutions.

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Table with columns: Metal, Price, Change, High, Low, Vol, Open. Includes Gold, Silver, Platinum, Palladium.

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INTERNATIONAL CAPITAL MARKETS

Further interest rate cuts prompt nervous reactions

By Martin Brice in London and Maggie Urry in New York

European government bond markets reacted nervously to further interest rate cuts while in the US, longer-dated stocks fell on profit-taking following Wednesday's cut in US rates. Traders await non-farm payroll data from the US today.

stronger growth in 1997 than expected.

He added: "We are reaching the phase in the cycle where cuts in short-term rates become negative for bonds because they strengthen the case for optimistic growth projections."

GOVERNMENT BONDS

German government bonds slipped on news of the 15 basis point cut in the intervention rate because some investors had prices closed firmer.

On Matif the March future settled at 122.80, up 0.02 while March Fibo, which fell on the news, closed up 0.07 to 95.58.

The effect of the rate cut was most evident at the short end, with the yield on one-year paper falling 6 basis points, while on 10-year bonds it moved up 1 point. The spread

over bonds rose 4 basis points to 51. Italian government bonds rallied all along the curve on news that Mr Antonio Maccanico had been appointed prime minister designate, with the yield on two-year paper falling 19 basis points and on 10-year bonds by 7 points. The spread over 10-year bonds tightened by 8 points to 496. On Liffe the March future rose 0.22 to 112.75.

The US Treasury yield curve steepened sharply yesterday as long-dated stocks fell on profit-taking by hedge funds following Wednesday's interest rate cut, and ahead of next week's record quarterly funding.

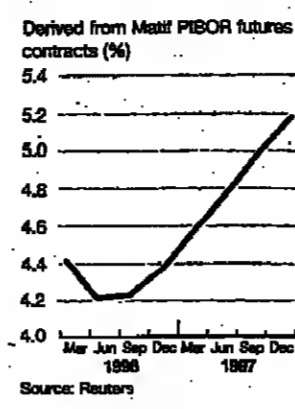
Near midday, the benchmark 30-year Treasury was 1/4 lower at 11 1/2, yielding 6.65 per cent, while at the short end the two-year note was up 1/8 at 10 1/2, yielding 4.90 per cent. The fall at the long end of

over bonds rose 4 basis points to 51.

Italian government bonds rallied all along the curve on news that Mr Antonio Maccanico had been appointed prime minister designate, with the yield on two-year paper falling 19 basis points and on 10-year bonds by 7 points. The spread over 10-year bonds tightened by 8 points to 496. On Liffe the March future rose 0.22 to 112.75.

The US Treasury yield curve steepened sharply yesterday as long-dated stocks fell on profit-taking by hedge funds following Wednesday's interest rate cut, and ahead of next week's record quarterly funding.

Interest rate expectations



the market was in spite of economic news which was broadly positive for bonds. The January report from the National Association of Purchasing Management showed that the manufacturing activity index fell in January from December's 46.0 per cent to 44.2 per cent. A year ago the index stood at 56.3 per cent.

Slowing economic growth boosts bond prices as the market looks for further rate cuts.

Inflation news was also good, with the consumer price index rising 0.2 per cent and the core index up only 0.1 per cent in December. That took the year-on-year rise in the CPI for 1995 to 2.5 per cent, the lowest annual inflation rate since 1986. Mr Joseph Liro of CIBC-Wood Gundy said the benign inflationary environment justified the Fed's easing.

The number of people making initial unemployment claims fell by 25,000 last week to 388,000, a shallower decline than expected.

UK government bonds took their lead from bonds and Treasuries and were unaffected by domestic economic data. The March future on Liffe closed up 1/8 at 110 1/2 while the spread over 10-year bonds was static at around 173 basis points.

S&P joins move by Moody's in rating Gulf states

By Roula Khalaf

US rating agency Standard & Poor's yesterday assigned an investment grade rating to Qatar's foreign currency debt, two days after Moody's awarded the country a below-investment grade rating.

S&P also assigned an investment grade rating to Oman, especially the relatively low ceiling awarded to Saudi Arabia. The Kingdom received a Baa3 rating compared with Kuwait and the United Arab Emirates the Baa1 and Oman's Baa2. Below-investment grade ratings for Bahrain and Qatar were also surprisingly low, bankers estimated.

Although Moody's has assigned ceilings to financial instruments of institutions based in the country rather than to a country's debt, the agency said the difference was a mere technicality.

"There is a positive aspect to these ratings - that the Middle East is becoming like other countries in the world," said Mr Kevin Taeker of Saudi American Bank. "But the Saudi rating does not give adequate weight and credit to the real advances made by Saudi Arabia in the past few years and fails to recognise the strength of Saudi banks."

and foreign assets have been drawn down substantially to finance persistent Saudi deficits, and that further moves to constrain public expenditure and increase non-oil revenue will be constrained by the difficulties of imposing austerity measures on the Saudi population.

Saudi Officials played down the impact of the rating pointing out that it was unsolicited, produced without their co-operation, and reliant on public information - which is rather scarce in Saudi Arabia.

They said the rating should not increase the cost of funds of Saudi banks, which are net placers of funds with foreign banks and enjoy close relations with their lenders.

The syndicated loan market treats Saudi Arabia as an A credit, at least three notches above the Moody's rating. Top Saudi banks that regularly tap international inter-bank lines are rated by Capital Intelligence, a Cyprus-based agency, as single A (long term), equivalent to four notches above the Moody's ceiling.

Western bankers say institutions with extensive business in the Middle East have their own ratings of Saudi banks and thus are not likely to pay much attention to the Moody's rating.

In the case of gas rich Qatar, Moody's expressed concern that ambitious gas projects will deplete the country's foreign assets and raise its foreign currency denominated debt. S&P, however, took a longer-term view, estimating that while net external debt will double by 1999, gas projects will stabilise government revenue and support the development of gas-related industrial activities, thereby diversifying Qatar's export base and eventually reversing the growth of the public debt burden.

KfW in DM2.5bn offering

By Conner Middelman

Basking in the glory of its new BIS zero-risk weighting, Kreditanstalt für Wiederaufbau, the German government-owned development agency, yesterday launched its biggest bond to date.

The DM2.5bn offering is a hybrid structure which combines features of German domestic bonds with eurobond characteristics.

Like a domestic bond, the issue, which is for KfW itself rather than its offshore funding arm, will be eligible as collateral for loans from the Bundesbank, as trustee stock, and for investments by certain insurance companies which may not invest in eurobonds. Furthermore, like bonds, the KfW bonds have no tax-call feature, under which bonds get called if the government imposes a withholding tax.

Also in the D-Mark sector, an attractive arbitrage opportunity prompted the Nordic Investment Bank to issue DM500m of five-year bonds. Yielding 32 basis points over government paper, the bonds offer a 5 basis point pick-up over the recent five-year issue of the equally triple-A rated EBRD. Moreover, "we are still seeing good flows, especially from Asia", said an official at lead manager UBS.

D-Mark bond issuance this year has been so heavy it has overtaken US dollar volume and accounted for a third of the \$75bn of bonds launched in January, according to Euro-money. D-Marks captured a 33.7 per cent market share in January, against the dollar's 27.4 per cent. In the past two years, dollars have made up nearly 40 per cent of issuance while D-Marks accounted for only 9.3 per cent of issuance in 1994 and 18.6 per cent in 1995.

The sterling sector was also busy, with the Royal Bank of Scotland issuing £200m of 10-year bonds via UBS. The offering coincided neatly with the buy-back of £300m of bonds, due 2004, by the Halifax Building Society, also via UBS.

NEW INTERNATIONAL BOND ISSUES

Table listing new international bond issues with columns for Issuer, Amount, Coupon, Price, Maturity, Yield, Spread, and Book runner. Includes entries for US Dollars, DM-Marks, Swiss Francs, Sterling, Spanish Pesetas, Canadian Dollars, and Euro.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Table showing benchmark government bond prices for various countries including Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, and US Treasury.

US INTEREST RATES

Table showing US interest rates for Treasury bills and bond yields across different maturities.

BOND FUTURES AND OPTIONS

Table showing bond futures and options prices for France, Germany, and UK Gilts.

BUND FUTURES OPTIONS (LFFE) DM250,000 points of 100%

Table showing Bund futures options prices for various maturities and strikes.

ITALY

Table showing Italian government bond futures prices.

ITALIAN GOVT. BOND (BTF) FUTURES OPTIONS (LFFE) Lit200m 100ths of 100%

Table showing Italian government bond futures options prices.

Spain

Table showing Spanish government bond futures prices.

UK

Table showing UK government bond futures prices.

LONG GILT FUTURES OPTIONS (LFFE) £50,000 64ths of 100%

Table showing long gilt futures options prices.

ECU

Table showing ECU bond futures prices.

US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%

Table showing US Treasury bond futures prices.

Japan

Table showing Japanese government bond futures prices.

FT-ACTUARIES FIXED INTEREST INDICES

Table showing FT-Actuaries fixed interest indices for various maturities and coupon rates.

FT FIXED INTEREST INDICES

Table showing FT fixed interest indices for various maturities and coupon rates.

FT/ISMA INTERNATIONAL BOND SERVICE

Table showing FT/ISMA international bond service data.

GILT EDGED ACTIVITY INDICES

Table showing gilt edged activity indices for various maturities and coupon rates.

OTHER STRAIGHTS

Table showing other straight bond issues.

CONVERTIBLE BONDS

Table showing convertible bond issues.

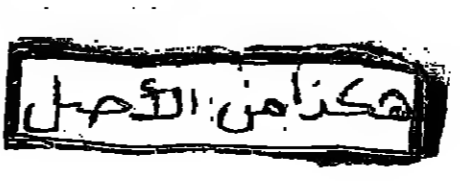
DELIVERABLE BOND STRAIGHTS

Table showing deliverable bond straight issues.

Other Fixed Interest

Table showing other fixed interest instruments.

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RECRUITMENT

JOBS: Successful co-operatives may have lessons for human resource management

Earning an honest living with lentils

Imagine a company without bosses, where you can change your job if you don't like it and where you are guaranteed a job for life. Could such a business exist today and compete as a profit-making enterprise?

It can and it does in Halifax, northern England, where SUMA Wholefoods runs a successful co-operative employing about 80 people. Its origins were among lentil-eating hippies in the 1970s, who became attracted to wholefood and vegetarian lifestyles.

The business has proved determinedly idealistic in its principles and, in so doing, has developed employment policies independent of the human resource management theories of the late 1980s and the 1990s which have become fashionable in the largest of companies. Empowerment, flat structures, job flexibility and multi-skilling are not only present in SUMA today, but were there 20 years ago, says Graham Findley, who, as operations co-ordinator, is the nearest thing the business has to a managing director.

While the merest mention of hippies, lentils and co-operatives may be enough to turn the average capitalist stomach, SUMA believes that, at the very time Tony Blair, the Labour leader, is talking of a stakeholder society, there may be lessons to be learned from the democratic structure of co-operatives and other employee-owned businesses. This is

particularly true of those which have shown, in a track record established over many years, that they can make the enterprise work.

SUMA is not only knocking on capitalism's door, it has many of the credentials to be considered a fully paid up member of the club. In many respects it is not much different from any other business. It is profitable and turned over £8.5m (£18.09m) in its last financial year as a wholesale health food warehouse and distributor.

Perhaps the biggest difference between SUMA and a conventional business is a pay policy that insists upon equality of wages for all jobs. Findley, who joined the business shortly after its inception, receives an annual pay and benefits package worth about £18,000 (£24,840). The same deal is available to every employee, no matter how new, whether they look after the accounts or sweep the floors.

The only people who are paid a differential are those with children who qualify for an additional "child allowance". The business has found that not all employees can embrace the values necessary to accept a job

without a pay ladder. Many recruits also find the lack of hierarchy difficult to get used to initially.

This is why SUMA has developed a sophisticated recruitment and screening process. All job applicants are posted a comprehensive information pack, and all new recruits come on a three-month temporary contract followed by a six-month "trial member contract". All employees officially adopted into the co-operative are classed as members. Working hours are 9am to 5.30pm, Monday to Friday, with one evening working late, until about 8.30pm. Staff turnover is lower than the industry average and employee commitment high. Work output is fostered largely by peer pressure.

Findley says that people would have to demonstrate some gross incompetence or dishonesty to get themselves dismissed. Generally the membership is sympathetic to those who are struggling or burnt out in a particular job. In those circumstances, they either receive additional training or can change jobs. Job rotation is common among all the members.

Findley himself has been doing his current job for three years and would expect to continue for another year or two before moving to another job, possibly lorry driving, which he says he enjoys. "As it is, I get to take out a lorry on Mondays. I'm little more, ultimately, than an over-promoted truck driver," he says. Driving of one kind or another and warehouse picking are elements of almost every job in the business.

SUMA is unusual among larger co-operatives for preserving equal pay and maintaining a collectively run structure based on one member, one vote. In the early days, employees did whatever jobs they wished from day to day. Decisions tended to be taken by the whole workforce meeting on Wednesday afternoons. The meetings became unwieldy, however, and customer demands could not tolerate a day on which the business effectively stopped running.

Other processes were equally eccentric or, in the case of stock taking and cash security, virtually non-existent. The business was servicing a rapidly growing market.

When the market began to attract bigger commercial interests, many of the fledgling co-operatives that emerged in the health food boom went to the wall.

SUMA survived, but not without change. A layer was added to the decision-making structure so that a delegate committee, called a Hub, received views of different working groups, called Sectors, but the system was not without tensions. Decisions were slow and some members were loath to invest management with power.

Today, the business has an elected management committee executing strategies and policies decided at quarterly general meetings. The committee enacts strategy through various company officers: personnel, finance, information and operations. Team work has been adopted and departments now work to agreed goals.

Findley says the business is now stabilised with a strong balance sheet, a broader customer base, overheads under control and increasing profits available for investment in business projects

currently under consideration.

Not everything in the co-operative is rosy. Its information sheet for job applicants is frank in its comparisons between the ideal and reality. It says: "SUMA jobs can be a wonderful mixture of manual and mental work, with plenty of personal initiative and creativity. Unfortunately in reality, members get stuck in boring routines, operating beyond their personal competence with plenty of stress and lack of support to complete the cocktail - a normal small business situation." Recognising this problem, it has earmarked training and development as a personnel priority. It believes it is 90 per cent towards the standard of training necessary for investors in People accreditation, the accepted UK training standard.

The pay structures are accepted, but again this can be a source of tension. The introduction of differentials are discussed from time to time but the membership continues to resist their introduction. As the information pack concedes: "It is a good wage for most manual warehouse workers in this area but poor for managerial staff."

The SUMA members would be the first to accept that co-operative structures are not for everybody, which is why they have developed a complex recruitment procedure to find committed individuals. But the business has demonstrated that true worker democracy cannot be dismissed as a pipe dream. As the co-operative develops, there is every possibility that the business-wide salaries may improve commensurately.

The business is also protected from takeover, in that the employees do not formally own the assets. In the event of its failure, its remaining assets would be passed on to another co-operative. A conventional business structure might be looking for better returns and swifter development, but SUMA measures its success by different standards. "Most importantly," it says in assessing its current fortunes, "sixty well paid jobs with exceptional benefits are now, for the time being, safeguarded in the midst of the low-wage economic desert which characterises much of northern England."

The point seems well made. Given the rampant job shedding among many big employers, it might be time for some more traditional managements to question their own values.

Richard Donkin

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- Ref: 6986/D

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- Ref: 6986/F

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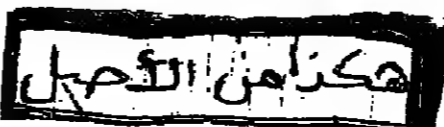


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- ◆ Successful candidates will receive excellent training and will be exposed to all aspects of corporate finance such as mergers and acquisitions, deposits, flotation and capital restructuring.

THE CANDIDATE

- ◆ A graduate with an excellent academic record (2:1 minimum).
- ◆ A professional qualification gained within a legal or accountancy practice. A background in strategy consultancy would be equally attractive.
- ◆ A committed and energetic team player with proven interpersonal and presentation skills, complemented by a rigorous approach to problem solving.

Interested candidates should apply by submitting their C.V. to John Axworthy at Axworthy Oliver Associates, St Martin's House, Priory Court, Pilgrim Street, London EC4V 6DR or alternatively call him on 0171 329 1120. Fax: 0171 248 0073



Unibank is one of the leading banks in Denmark and in the Nordic region. Internationally we are represented by 16 branches and representative offices around the world, including all the major financial centres.

London Branch has over 70 staff, the majority of whom are employed in Treasury, Securities Trading, Private Investment Banking and Corporate Banking. We offer a broad range of customised products and services in these strategic business areas, with the main focus on UK and Nordic business.

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Head of Customer FX desk
Unibank London is an active participant to the London FX and money markets, focusing in particular on Nordic and Sterling related products.

We are expanding our customer activities and to support this we now wish to appoint an experienced customer dealer to head our existing team.

A proven track record in marketing is essential for this position. The ability to understand customer needs and increase our client base will be the key to success in this role. In-depth knowledge of the FX environment and an established network of contacts amongst major corporate clients in the UK are expected.

The successful applicant will be highly motivated, flexible and team-work orientated. We offer an attractive salary with the full range of banking benefits.

Institutional sales person
Unibank's established bond team in London is looking for an experienced sales person to join them and to help consolidate and expand their present sales effort in relation to Nordic products. With a minimum of 3 years' experience to a dealing room environment, the person appointed will already have an established client base in European fixed income and/or asset swaps and mortgage derivatives.

Your flexible approach and proven sales ability will enable you to reap the benefits of joining our small but dynamic team. We offer an attractive salary with the full range of banking benefits.

Applications
To apply, please send full career and salary details to Liz Knox, Human Resources, Unibank A/S London Branch, 167 Chesapeake, London EC2V 6DA. Tel 0171 711 9573, Fax 0171 726 4638.



SIEMENS

Siemens' Corporate Treasury is responsible for interest and currency risk management, raising and investing funds in the international capital markets, and our cash management. We are present in every major financial center in Europe, Asia and North America. To meet the financial management challenges resulting from the globalization of our corporate operations, we are looking for

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Educational and professional background:

- ◆ MBA or university-level degree in business administration, mathematics or political economics with a focus on capital markets and/or corporate finance.
- ◆ Two to four years of professional experience in banking or in the finance divisions of international corporations.

Language abilities

- ◆ Solid command of English and German.

Skills

- ◆ Ability to think analytically and strategically, high aptitude for cooperation and communication, ambition, enthusiasm and integrity.

We offer a salary commensurate with the challenges of the position as well as many avenues for advancement.

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Siemens AG Central Personnel
Department ZPA
Wittelsbacherplatz 2
80333 Munich
Germany

to handle the following tasks:

Risk management

To analyze interest and currency risks in cooperation with the operating units and to design, structure and implement appropriate hedge programs.

Cash management

To integrate our various cash pools in Europe into a global liquidity pool and to establish new pools in our growth markets while optimizing both the operations and the costs of our internal and external fund flows and promoting EDIFACT formats for all commercial payments.

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To analyze new financing structures, to establish regional and nationwide funding programs, to arrange equity issues, to manage our domestic and foreign stock exchange listings as well as the contacts with the leading rating agencies.

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- The successful applicant will:
- ◆ Be a graduate (probably with an economics degree).
 - ◆ Have had up to 2 years experience of country risk analysis, probably with an investment bank or financial institution.
 - ◆ Possess a high level of initiative and commercial acumen.
 - ◆ Have a good political and economic understanding of at least one of the following markets:
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 - South East Asia
 - Latin America
 - ◆ Be able to demonstrate strong communication and presentation skills.

If you feel you possess these qualities and wish to join a well respected and progressive organisation, please forward your full curriculum vitae to Sarah Lee, at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH. Tel: 0171 831 2000 Fax: 0171 405 9649, quoting reference number 251646. All applications will be treated in the strictest confidence.



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The successful candidate must also have the vision and drive necessary to play an active role in taking the business forward.

Interested applicants should contact Trevor Foster-Black on 00 44 171 379 3333 or send a recent curriculum vitae to him at Robert Walters Associates, 25 Bedford Street, London, WC2E 9EP. Fax: 00 44 171 915 8714. Internet: city@rwa.co.uk

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The European Organisation for the Safety of Air Navigation

based in Brussels, invites applications (m/f) for the following post in its Central Route Charges Office (CRCO) which establishes, bills and collects charges for air navigation services

EXPERT QUALITY ASSURANCE

(ref.: AA/005/FT)

Responsibilities: advise on the definition and implementation of quality standards; systematically collect, analyse and use CRCO data to monitor quality and to detect quality improvement opportunities in respect of CRCO procedures; costs of quality and customer focus; performance measurement tasks and benchmarking; co-ordinate quality related issues.

Requirements: university degree in economics and/or computer sciences; good knowledge of English or French and working knowledge of the other; age limit: between 30 and 40 years old; proven experience in international quality assurance standards (ISO 9000), related concepts and methodologies and TQM; knowledge of air traffic services and flight information systems would be an advantage.

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(ref.: BT/014/FT)

The ideal candidate should have a professional experience of at least 3 years in application development, preferably under PACBASE on BULL DPS7000 GCOS7/TDS with relational DBMS (Oracle).

Requirements: secondary education; good knowledge of English or French and working knowledge of the other; age: 25 to 45 years old.

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Application forms and further details may be obtained from EUROCONTROL, Selection and Assignment Section, rue de la Fusée 96, B-1130 Brussels (fax n° 32 2 729 90 70) for enquiries only. Enquiries must bear the appropriate reference n° quoted above.

Completed application forms clearly indicating the reference number must reach the above address by 20 March 1996 (for the post AA/005) and by 3 April 1996 (for the post BT/014) at the latest.

Candidates are advised in their own interest to ensure that they meet the above deadline since closing dates are strictly applied.

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Our Client represents an unrivalled and progressive trading group within a global investment bank. This group focuses primarily on trading a range of global equity derivative books, structuring synthetic warrants out of convertibles. The trading style is portfolio-based and yet the team benefits from the infrastructural support of an investment bank. Owing to the growth of book sizes and increased trading volumes, a need has arisen for an equity derivative trading specialist to join this team.

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- Trading a range of warrants and convertibles.
- Possessing a fundamental understanding of value and price, and to trade accordingly.
- Assisting in structuring synthetic warrants out of convertibles, thereby extracting value.
- Enhancing and optimising current trading strategies, having a clear view of the market and the ability to assess market risk.
- Hedging positions effectively.

Candidates should have previous experience of:

- A minimum of three years trading global warrants and convertibles on a technical basis.
- Trading on a specialist equity derivative team, or to have dealt for a hedge fund or quantitative fund management firm.
- Trading warrants and convertibles in an equity context, but with the ability to understand and be interested in the pricing and valuation of these products from a fixed income perspective.
- Competitive pricing and execution skills.

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Interested candidates should write to Annabella Humphreys at BBM Selection, enclosing a full curriculum vitae, which includes contact telephone numbers. All applications will be treated in the strictest confidence.

76, Watling Street,
London EC4M 9BJ



Tel: 0171-248 3653
Fax: 0171-248 2814



European Bank
for Reconstruction and Development

The Project Evaluation Department requires (m/f)

Senior Evaluation Officer

Private Sector Investment Operations

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Requirements: at least 15 years professional experience as banker, project finance or credit expert in an international commercial/merchant bank. Comparable experience in financial function in private sector company or consulting firm also accepted; work experience in an international development finance institution an advantage; work experience in central and eastern European countries desirable; excellent oral and written English required for report writing and presentations, knowledge of Russian, German and French desirable; strong interpersonal and negotiating skills; ability to work in a small team of professionals; ability to travel extensively and to work under tight deadlines.

To apply, please send your detailed CV in English, quoting reference number FT0196 to: Mr Ernst Mahel, Principal Manager, Human Resources, European Bank for Reconstruction and Development, One Exchange Square, London EC2A 2EH.

All applications will be acknowledged. Please help by not telephoning.

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You will join a client team dedicated to delivering high-quality consultancy to major institutional investors in the UK and Continental Europe. You will support senior consultants in working on a broad range of asset planning issues, and be committed to delivering first class service and advice. The position requires that you have:

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- excellent written and oral communication skills
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You will be a graduate and ideally will have several years of investment-related experience, gained from within an asset management, capital markets or consultancy environment. Fluency in English is essential; competence in another European language would be advantageous.

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Our consulting group delivers performance measurement and portfolio analysis reports to clients. We are seeking a manager who will lead a small team of enthusiastic analysts in producing reports of consistently high quality for major international companies. Prior experience of performance measurement is desirable and it is essential that you have:

- proven experience of managing people
- an understanding of process management
- mathematical and analytical skills
- a business-like approach to problem-solving
- a strong professional presence with clients and senior colleagues

In complete confidence, please write with CV, stating preferred role, to:

Claudia Seyler,
Frank Russell Company
6 Cork Street
LONDON W1X 1PB



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We know what creates success in our consultants and analysts: you need to be able to understand our clients' business and their needs, and want to enhance these relationships continuously; you must thrive on front-line exposure; and be able to balance competing, and sometimes conflicting, demands. Strong systems literacy is a prerequisite, as is the ability to communicate your observations and analysis verbally and in writing.

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ANALYST

Successful candidates for these positions will have an MBA/graduate degree with 1-2 year's work experience. You must be highly numerate, and demonstrate extensive and creative application of your systems expertise. The job relies and your applying acute intelligence to practical issues, and maintaining your integrity, dependability and composure as a dedicated team player in a high-pressure environment.

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Applicants should submit a comprehensive curriculum vitae, with accompanying credentials, references and a passport-sized photograph to:

Evelyn De Glas,
Business Development,
Radisson SAS Hotels Worldwide,
Tour Leopold,
Rue de Genève 10,
1140 Brussels,
Belgium.

Applications should be received by Friday, February 9th, 1996.

مكاتبنا في لندن

INTERNATIONAL YOUTH

Global companies' most pressing cause

Laurie Morse explains why multinationals are starting to adopt a policy of enlightened self-interest towards the world's increasing number of underprivileged young people

With currencies, commodities, capital and a variety of consumer and industrial products flowing freely around the world, corporations are becoming increasingly aware that they have a stake in the economic health and development of all of the societies where they do business.

It is no longer sufficient to target corporate philanthropy close to headquarters; businesses with international operations now find it in their interests to invest in processes that tackle social problems elsewhere in the world.

The reasons are simple. For any global company, the 1.5bn children that will be born in this decade - four-fifths of them in developing countries - represent the markets, creativity and labour force of the future. By the year 2000, according to the United Nations, there will be 6bn people in the world, and nearly half of them will be under 20.

And in troubled pockets of industrialised areas such as the slums of Los Angeles, is being shifted to address the effects of disruption and disaster, rather than their cause.

Hence, urban budgets are being hit by the burden of dealing with violence and drug addiction, while dollars for fighting the probable reasons for them - such as unemployment - dwindle. The United Nations is finding its expenditure on emergency relief efforts soaring, shifting the focus away from fundamental development work.

For a single individual or organisation, the needs of the world's youth and the vastness of the world's poverty can be intimidating. But although the task is overwhelming, it is not impossible. Over the past 30 years, the developing world as a whole has achieved much.

In a commercial context, \$50bn is the amount the world's private sectors regularly invest in leading high-way, dam or telecommunications projects.

Of course, the challenge goes beyond cash. Development experts note that a far wider range of social resources must be mobilised to take the next, critical steps towards bringing the majority of the world's youth out of poverty and developing the economic stability required to preserve freshly won political freedoms.

These resources must not only be provided by partnerships between governments and non-government organisations in developing and developed countries, but also by businesses, which can offer expertise and organisation as well as capital.

Despite longer life spans, improving educational attainment, and giant steps towards democracy in many regions, the future well-being of dozens of countries still hangs in the balance as they struggle with rising unemployment and the violence and ethnic hatreds that economic deprivations exacerbate.



Regions such as the Middle East, South Africa, and Eastern Europe seem on the verge of a commercial flowering now that political freedoms have been won. However, the success of these emerging democracies may well hinge on the development of their young people as well as the success of their economies.

An example is Israel. Seventy per cent of the Palestinian population is under the age of 25. The majority live in poverty and have not been in school after the age of 12. The situation, according to Mr Rick Little, chief executive of the International Youth Foundation, "is a seething time bomb which most certainly will affect the business climate of the region".

Corporations have an interest in the successful transitions of these societies, and have much to offer, argues Mr Geoffrey Bush, group community director for Grand Metropolitan, the UK-based international food and drinks group. "The futures of many of these countries are in the balance, and all of the big players have to be involved," says Mr Bush. "Multinational corporations, which often have annual turnovers larger than the GDP of many developing nations, are clearly big players."

For Grand Met, being such a corporation means funding programmes in a broadening array of countries and being involved in efforts to build confidence in local economies. At an Indian town where it runs a drinks plant, the company will this year, for example, sponsor an initiative to encourage young entrepreneurs.

The programme, run in partnership with a local organisation, will be modelled on Grand Met's efforts to foster entrepreneurship in the UK, and has been developed in close consultation with local managers. Its long-term goal is to create new small businesses that will increase prosperity in the community and combat rising unemployment levels.

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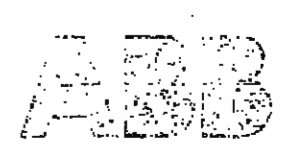
Natural gas - affordable, safe and available - is an increasingly popular choice for driving turbines that generate electrical power all over the world. Although it

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Yes, you can.



INTERNATIONAL YOUTH

Microcredits by Simon Kuper

Small loans, big impact

Children are often the beneficiaries when microbanks lend to female entrepreneurs

If a poor man in India earns 100 rupees, he spends 40 of them on feeding and educating his children and buying them health care. But a poor Indian woman who earns the same amount will spend Rs92 on her offspring. The figures, from a recent survey presented to the Indian parliament by Ms Ela Bhatt, chairperson of Women's World Banking (WWB), are being quoted by aid organisations worldwide. They are often used to support the view that microcredit is the big new idea in development.

Microbanks make loans averaging \$500 each to poor entrepreneurs. Most of the borrowers are women, who often find it hard to get loans from commercial banks. They borrow from microbanks at commercial rates of interest, yet worldwide about 95 per cent of them repay on time. This may be because microcredit is tapping the most gifted women entrepreneurs who have been ignored by commercial banks.

Almost all the clients' profits go straight to children; women are less likely than men to leave their families, and among the very poor are often the heads of households.

Mr William Day, director of Opportunity Trust, an Oxford-based charity working in microcredit, says: "They are often able to give their children a meal a day where they weren't before, or to educate

their daughters."

Also, because most microcredit schemes oblige borrowers to save, too, they provide some security against bad times. "Families can provide the chloroquine if the child gets malaria," says Mr Day.

Ms Nancy Barry, president of WWB, says: "What you see countless times is young children, particularly girls, going to school due to the growing income and confidence of the mother."

The successful parent may be more likely to have higher hopes of her children. Mr Mark Havers, a microcredit consultant at the Springfield Centre in Durham, explains: "It is possible to run a micro-business if you are illiterate, but it makes you realise how much better you could run it if you had an education."

Unlike other forms of development, the schemes quickly pay for themselves. "The most exciting thing about microcredit is that it has come tantalisingly close to being self-sustaining," Mr Havers adds.

Already some commercial banks, particularly in South America, are moving into micro-lending. In Paraguay, a foundation recently issued bonds to finance microloans.

"You can make money at this," says Ms Barry. "These people repay their loans better than corporate clients."

Currently only about 3 per cent of the \$60bn in overseas aid paid out each year goes to microenterprises, but the figure is rising. New microbanks have sprung up recently in countries such as the Philippines and Vietnam. Ten years ago, says Ms Barry, "there was basically no lending to

microenterprises". In 1995, 10m new microloans were made worldwide. Next year, an international summit on microcredit in Washington will set a target of 100m new loans in 2005.

According to Ms Barry, poor people need capital more than infrastructure. "The problem is not that there are no clinics and schools, but that parents can't afford to send their kids to schools - they need them in the fields," she says.

Even the World Bank, for long regarded as a funder only of huge infrastructure projects, is stepping up its micro-lending. Last summer, it and other international donors formed the Consultative Group to Assist the Poorest (CGAP). The donors pledged \$200m between them, of which the World Bank's share was \$30m.

"The bank has dipped its toe in the water," says Mr Day. But more important than the size of the World Bank's gift, is the signal it has sent to other donors and governments. "This is the most important event in the world of micro-finance. The money will flow," Mr Ismail Serageldin, a World Bank vice-president and the chairman of CGAP, said when the group was founded.

But Mr Day has mixed feelings about the fact that banking giants are moving into his sector. He cites a microcredit programme in the Philippines with a loan portfolio of just \$2m: "It works because of personal trust, the closeness of its staff to the borrowers. If you pump a lot of money into an organisation like that, it will lose those qualities."

Others warn that as microbanks search further for business, they will be more likely to make ill-judged loans.

Mr Havers says the extra money flooding in will stretch the managers of microbanks.

"In this country, we spend God knows how much on banking supervision, and still banks go bust," he says. Also, he warns, research appears to disprove the microbankers' mantra that microcredit helps "the poorest of the poor".

He says: "The bottom 10 per cent are too concerned with just staying alive to start microenterprises."



Angry young men? The revolutionary Algerian party, the Islamic Salvation Front, increasingly relies on support from the under 25s

The business implications of political unrest by Simon Kuper

The rebel yell demands attention

The problem of disaffected youth is an issue few multinationals can afford to ignore

Young people are less likely than their elders to have jobs; more likely to commit violent crimes; and more likely to make revolution. True or false? Examples abound in support of the "true" camp. Almost half the under-25s in Spain are unemployed; there was hardly a middle-aged person among the Asians who rioted in England's Bradford last spring; the fall in the crime rate in New York and London coincides with a fall in the number of teenagers.

Look for evidence of connections between the young and revolution and you will not be disappointed. It is, by and large, the youth of Algeria -

where more than half the population is under 25 - that supports Islamic fundamentalism. In Gaza and South Africa, where up to two-thirds of people are under 25, it was young people who fought the regimes' police forces in the streets.

The spirit of rebellion is a traditional *raison d'être* of youth. This could be one of the reasons why young people in different countries have different political affiliations; young Palestinians are likely to be more pro-democracy than their elders, whereas young South Africans are often on the political left.

What unites the young rebels of the world, however, is a willingness to use force. "You aren't going to see the 50-plusers in the streets," says Mr Rick Little, chief executive officer of the independent International Youth Foundation.

Of course, the fire of youth is not universal. In Russia, for instance, the people who reacted against the status quo and voted communist in last year's elections were the pensioners. Young Russians are sufficiently few in number and have enough skills to make them relatively confident about the capitalist future.

But if prevailing social and economic conditions can temper the fire, they are just as likely to ignite it. Mr Little says 97 per cent of population

growth in the next decade will be in poor countries. The presence of youth is therefore a big issue for any business moving into an emerging market. Violent or unskilled youths in Algeria, Gaza and South Africa have put off many investors. In countries such as Bosnia or Angola, young people can remember little more than war.

But businesses cannot simply do business only in one half of the world. South Asia, for instance, offers both high economic growth and a huge young population. Mr Little says businesses and governments must therefore develop strategies aimed specifically at youth. Security analysts tend to ignore the issue, he says.

"It's as though it is the elephant in our living room that we all somehow overlook."

There are, of course, exceptions among governments and businesses. Most young South Africans are unemployed and, because of the black schools boycott of much of the last two decades, they are unskilled, too. The Pretoria government is sufficiently few in number and have enough skills to make them relatively confident about the capitalist future.

But if prevailing social and economic conditions can temper the fire, they are just as likely to ignite it. Mr Little says 97 per cent of population

issues," says Mr Little. Grand Metropolitan, the UK food and drinks group, funds youth programmes in South Africa and elsewhere. Mr Geoffrey Bush, group community relations director, explains that money spent on the young has a good chance of making a difference, because it goes to people whose direction in life often hangs in the balance.

But Mr Hugh McLean, a project manager at the Joint Education Trust in Johannesburg, is despondent about business. He concedes that some companies have stopped simply recruiting trained young people and have begun entry-level training programmes. But he says that South African business feels it has to become more competitive internationally before it can start doing much for the young. The fact that most crime takes place in the townships also makes it easier for businesses to turn a blind eye.

Dr David Downes, professor of social administration at the London School of Economics, is similarly uncomplicated about UK companies. "I don't think there's been a very sustained or widespread commitment by business to youth," he says. Dr Downes believes that what companies do for youth with the one hand, they often undo with the other.

"The main thing that busi-

nesses can do, and I don't know how you can get them to accept it, is not to downsize and not to de-layer," he says. Most criminologists now believe in a close link between the crime rate and the level of male unemployment. "The property crime rate in particular is very sensitive to the business cycle," says Prof Downes, adding that Japan's policy of trying to avoid unemployment even in bad times has helped the country achieve its very low levels of crime.

But the problems posed by youth across the world can seem insoluble. And there is no sign of let-up; by the year 2000 about half the people in the world will be under 20. The countries with lots of young people are usually the ones least able to provide for them.

"The schools results in South Africa this year were a complete disaster," says Mr McLean. "And even if you pass well, there probably won't be a job waiting for you." South Africa, he adds, like much of the rest of the world, seems to be on a jobless growth path. Mr Little believes governments must invest more in education and in creating jobs. Others go so far as to say that in emerging markets, companies and governments should accept lower growth as the price of skilling, employing, and pacifying young people.



Microcredit could mean more Indian girls will be sent to school. (Ewa Little)

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In Touch with Tomorrow
TOSHIBA

The International Youth Foundation by Laurie Morse

'Soft' philanthropists under fire

The IYF is seeking 'caring' companies. But those wanting quick-fix solutions need not apply

Although the global need for youth programmes and opportunities has never been greater, there are currently few global social enterprises whose objective is child welfare. Philanthropy often amounts to responses to crises rather than long-term commitment to projects.

The International Youth Foundation, the brainchild of Mr Rick Little, a middle-class young man from Ohio, and supported by the W.K. Kellogg Foundation, however, is different. With its focus on young people between the ages of 5 and 20 and its dedication to supporting successful existing youth programmes, the IYF acts as a channel between community youth programmes in 30 countries and corporate foundations around the world.

"More than ever, the success of business is directly related to the success of societies, families and communities in preparing a competent work force. We consider it good business to view corporate philanthropy not only as charity, but as wise and strategic investment in our future," says Mr Arnold Langbo, chairman of the Kellogg Company. The IYF, Mr Langbo says, provides a much-needed service to business leaders who want to invest their limited resources wisely: "We have confidence that programmes identified and endorsed by the IYF are worthy of our support."

As well as primary school children, the IYF seeks to help those who require the kind of education and opportunities that will ease their transition into adulthood. Its focus on continuing programmes - rather than start-ups, also makes the Foundation unusual.

"There is a propensity for

the private sector to want to fund the things that are new and different. A surprising number of foundations rarely want to fund a project beyond three years, preferring instead to move on to the next new 'issue'. At the IYF, we screen programmes for their effectiveness, their scale, and most particularly, their sustainability," says Mr Don Mohanlal, the IYF's chief operating officer.

Launched in 1990 with a \$68m grant from Kellogg and its sister foundation, the IYF has a 12-year charter to link socially-aware corporations to youth programmes in the US and globally.

Halfway through its mission, the IYF has established partner foundations in eight regions, most recently in Slovakia and southern Africa. Through its Youthnet International, it connects the people and practices of 130 successful youth organisations in 30 countries. Youthnet strengthens its members by encouraging shared learning, leadership development and programme exchanges. All of the network programmes are rigorously screened for their effectiveness in reaching the needs of youth in their communities.

The regional foundation partners are partly endorsed by the IYF and partly by governments and local corporate donors to make grants for youth programmes and provide a means for direct action. In countries such as Poland and East Germany, where there has been little history of individual corporate philanthropy, and where Communist-funded youth opportunity projects are quickly vanishing, IYF-linked foundations are working to fill the gaps.

In other regions, such as Asia and Latin America, IYF challenge grants are bolstering organisations with track records of successful youth work.

Foundation executives note that, too often, there is a "spray and pray" approach to corporate philanthropy, with

little analysis of the effectiveness or the long-term implications of the gift. IYF seeks to move beyond this and get companies to understand the links between community stability and community investment.

"What is coming next is a much more strategic approach to philanthropy," says Mr Little, IYF's founder and president. "Philanthropy should not be a 'soft' undertaking. We're trying hard to get companies to play constructive long-term roles in achieving progress on youth issues around the globe. There are a lot of companies doing very creative things, and more and more companies are realising they have a vested interest in these activities."

Halfway through its founding grant from the Kellogg Foundation, the IYF is facing

'We're trying hard to get companies to play long-term, constructive roles'

some strategic issues of its own. During the past two years it has focused on engaging the regional partner foundations and weaving together Youthnet. However, IYF executives are increasingly looking for ways to elevate the global focus on youth more quickly, and, at the same time, arrange to sustain the Foundation beyond the life of the Kellogg grant.

Later this year, the IYF will relocate its small staff from pastoral Battle Creek, Michigan, where it has had office space close to Kellogg, and move headquarters to Baltimore, where it will be better positioned to identify the urban problems in the US and be in close proximity to policymakers in Washington.

On an operational level, IYF executives say that Youthnet

has proved to be a far more demanding undertaking than first thought and the organisation is directing more resources towards its management. And while the work of the eight regional foundations has been remarkable, the process of attaining their social goals around the world is not progressing fast enough for the next stage of its development, the IYF plans to enlist the help of an elite group of multinational companies that will promise to dedicate themselves to youth development issues.

The "Caring Companies" initiative, which the IYF hopes to launch within a year, will ask multinationals to go beyond "feel-good" philanthropy and dedicate volunteers as well as cash to the youth effort. "We will risk being controversial because the issues are so critical and so profound, we can't afford to dance around them anymore," says Mr Little.

The standards that will be set for the Caring Companies are still evolving, but Mr Little says four main areas seem to be developing. Multinationals that subscribe to the IYF philosophy will:

- agree to devote a certain portion of pre-tax profits to youth programmes;
- promise not to harm children in the process of manufacturing or marketing their products;
- engage in solution-related marketing that will offer opportunities for youth;
- require employees to become involved with community programmes on a regular basis, and reward employees for this involvement.

The Caring Companies initiative, IYF executives hope, will be adopted as a model for corporate action around the world.

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Education and technology: by John Authers

The keyboard jungle

New controversy surrounds the use of IT and multimedia in the world's schools

Information technology could be the tool to rescue the world's children from poorly performing education systems.

Heavy investment in computers over the last decade in the developed world has been intensified in the past few years as schools attempt to take advantage of on-line technology such as the Internet, which is relatively cheap to disseminate.

Governments hope that new technologies will help create education systems that will spread choice and opportunities to more people.

However, there are serious doubts about whether IT can help make significant improvements in the levels of literacy, numeracy and other academic achievements. And governments also face a serious resourcing problem. Computers are more expensive than textbooks, they are more prone to damage in the hands of unruly children, and they depreciate much more quickly. Technological advance might actually widen the gap in academic achievements between poor and wealthy countries.

Research so far suggests that

technological initiatives are most effective in schools when every child is given access to a computer. Apple, the computer manufacturer, gives Internet reports on the Acet (Apple classrooms of tomorrow) scheme, which started in 1985. Targeting groups of children in inner-city schools in Ohio, Tennessee and California, particular classes were allowed intensive use of computers. As a result, absenteeism reduced markedly, and the project also noted improved results in external tests in literacy and numeracy.

Discipline was easier to maintain, with teachers reporting that the "kids don't act up". Lessons also became more "pupil-centred" with children displaying more pride in their work. But pupils in the project were originally given two computers each. Although this ratio has been reduced over time, the expensive principle of allowing extensive access to the computers remains.

The research is not yet conclusive, however. Studies on students taking a logic course at Stanford University in California suggests that multimedia "can have a detrimental effect on certain students' abilities to learn". Professor Keith Stenning, of Edinburgh University, who examined the students, found that some actually regressed.

Suggesting that more educa-

tional research was needed before heavy investment was made, Mr Stenning expressed a concern that "the technological push behind these systems is dictating their direction, not educational needs".

Integrated learning systems, a more radical technology, have also been shown to have distinct benefits in tests, improving literacy and numeracy levels significantly. These systems involve the most radical departures from traditional teaching, with the software not only bombarding pupils with questions as they sit at the screens, but also marking their answers, producing reports, and deciding whether they are ready to advance to a more difficult level.

In a pilot scheme in the UK, Leicester University found that the system sharply raised standards. In mathematics, students made the equivalent of 30 months' progress during their first six months of using the system.

There are also improvements, although less impressive, in literacy.

Research by the National Council for Educational Technology, a government body answerable to the UK's education department, found significantly improved educational results for classes where each child was issued with a portable computer, with children taking much more care over

their accuracy, and using the opportunity to improve the presentation of their work.

Many teachers construed this as showing the importance of individual access to a machine, rather than any great benefits of portability.

Whatever their subtler implications, all these surveys demonstrate the problem of cost, particularly in cases where it seems the greatest benefits are achieved by having one machine per pupil. Integrated learning system software does not come cheap, and the national council, after an extensive evaluation, advised that there were benefits to be gained, but schools should not make the systems an investment priority.

That the business of education is becoming more expensive clearly creates a problem for developing nations competing with wealthier rivals on educational performance.

On-line technology - such as the Internet, which American universities played a pivotal role in developing - is supposed to offer an answer, allowing relatively cheap worldwide dissemination of education materials. However, it has so far only affected the delivery of education, rather than its content or its quality.

Its greatest use so far is in improving "distance learning", allowing students and trainees to have their lessons piped to



The ideal on-line line up? A multimedia lab in Kent, England. For developing nations, the cost of one machine per child is prohibitive. Ashley Ashwood

them on-line, without coming into contact with their teachers. Coupled with video-conferencing, this has had an impact in remote sparsely populated areas such as the Scottish islands and the Australian Outback.

The technology could also be used to foster greater community spirit. The Organisation of Economic Co-operation and Development last month called

on its members to establish lifelong learning as a norm and suggested that schools should become "community learning centres".

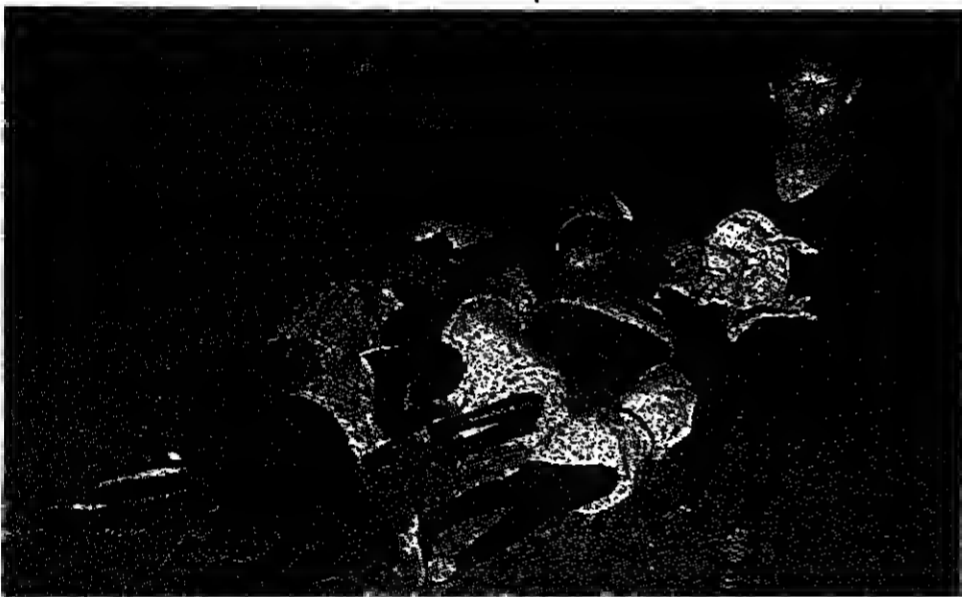
Countries such as Singapore and Malaysia are attempting to link all their schools to the Internet. Meanwhile, schools technology is becoming a heated political issue in the UK, where the opposition Labour party reached an agree-

ment with British Telecommunications to provide a fibre-optic link to each school.

In some cases, the Internet can help schools save money. If teachers can access "virtual" practical demonstrations on-line they can, in theory, cut back on equipment costs. Most famously, an American university put a "virtual frog dissection" on the Internet; the "lesson" is now widely used.

But the technology at the moment is just a method of delivery, with teachers using it to access curriculum materials, and pupils rarely spending much time on-line themselves. To change this would, again, require heavy infrastructure investment in schools' networks, and a change to teaching practices. For the developing world, the costs could prove prohibitive.

Below, and on the next page, Financial Times correspondents report on the development of youth projects around the world



Impoverished children sleep by the warm air vents from São Paulo's underground Favela do São Paulo-Oeste. Serrano

Brazil: by Angus Foster in São Paulo

Too many 'fine words', too few social reforms

In the long-term, only government action will solve the street-children problem

Kelly and Jonathan are articulate and extrovert Brazilian teenagers with the same dreams as the rest of their generation: to study, get a good job and settle down. But their lives have not always been so conventional. They are also former São Paulo street children. Kelly, now 17, was a crack addict at 13 and Jonathan, 15, was in juvenile detention aged 12. More than a decade after Brazil's street children became internationally recognised, the country's huge social problems continue to force some children to live on the street, and many more to live from it. Although some programmes to remove children such as Kelly and Jonathan from the street have been successful, experts agree that solutions to the tragedy require Brazil first to tackle underlying, long-term problems. The gap between rich and poor in Brazil is one of the most glaring in the world. The poorest 20 per cent of Brazilian families receive a fraction of total income (just 2.4 per cent in 1993, according to a World Bank economic review published last September). The urgent need to use income freely to subsidise means few can enrol in second-level schools; the country's education record is dismal.

"It's praiseworthy that some sectors of society are trying to help with street children programmes. But you can't be optimistic without a fundamental change in the views of the country. It can't just be fine words," says Ms Irene Rizzi, an academic who has studied the issue of street children for more than 10 years.

Quantifying the problem is difficult in Brazil, where government statistics are often poor. A 1993 assessment in São Paulo found 4,600 children on the city's streets by day, and fewer than 900 at night. Other big Brazilian cities - including Rio de Janeiro, Salvador and Recife - may have larger street children populations, but dis-

parities between day and night populations are probably similar.

Many children on the streets during the day are there for economic reasons. Rather than go to school, they are expected to contribute to their family's income by shining shoes, collecting rubbish or begging. Only a minority have completely broken with their families and no longer have a home to return to at night.

This has prompted Unicef, the UN's children's fund, to say the term street children is misleading because it cannot differentiate between children working and living on the street. "We believe that the public should be educated to understand that extreme poverty is the problem and not street children per se," says Ms Vesna Bosnjak, who works for Unicef in Brazil.

Those children who do live on the streets have often fled from alcoholic and violent parents. Many have suffered parental neglect. One of the most successful street children projects, known as Projeto Axé in the northern city of Salvador, is managing to return about 85 per cent of its children to their families, after carefully working to sort out the problems of both the child and the parents. One reason for Axé's success is that it only employs professional child educators and has shunned well-meaning but unqualified assistants. Despite its good name, the project ran into financing problems last year, before being saved by a foundation set up by the family of the deceased Brazilian racing driver, Ayrton Senna.

Mr Cesare de Florio la Rocca, the project's president, says non-government organisations cannot solve the problem. "We need to speak less and less about street children, and more and more about things like education and health, and these problems are up to the public institutions," he says.

SOS Criança, a project in São Paulo, financed by the state government, is a good example of how governments can do both good and harm. Under the former state governor, the project ran out of money and was badly managed. According to Kelly, children like her were

locked to a room all day and only allowed to leave to go to the bathroom.

With the arrival of a new governor and new co-ordinator, Mr Paulo Vitor Sapienza, the project is again tackling problems rather than containing them by incarceration.

"It was a radical change of culture from that of a prison, which is much easier to manage, to one of presence, where you always have to be present. Do you lock your own children up for doing wrong? Of course not, you talk to them," he says.

Nearly everybody working with street children agrees that improving Brazil's primary education system could relieve many of the problems. The system is not only sometimes failing to educate - illiteracy reaches 33 per cent in parts of the country - it is also contributing to children drifting onto the street out of boredom with badly taught lessons, which prevent pupils advancing through the system.

For many children, especially those with weak family structures, the street represents everything desirable that school does not: adventure, fun and freedom.

The central government is launching various initiatives to improve basic education. Some cities, including Brasília and Salvador, have introduced school incentive programmes that reward families whose children stay in school - as compensation for lost income once the child stops working.

Despite promising results, improving primary education often relies on state and municipal governments, many of which still see education as a luxury that only has to be addressed close to elections. In north eastern Brazil, for example, it is still not uncommon to find school buildings where construction stopped soon after an election. Inefficiency, corruption and waste further compound the problem. The UN's Economic Commission for Latin America (Cepal), estimates governments should spend a minimum of US\$215 per student for each year's primary education. In the Brazilian state of Maranhão, which has some of the worst rates of illiteracy, the spending in some areas is \$38.

The US: by Christopher Parkes in Los Angeles

Pressure cooker that won't cool down

Why it will take more than Magic Johnson and job creation schemes to cure LA's ills

Nominal links between Magic Johnson and Toyota may be tenuous. But the all-American baseball hero and the Japanese automotive group have much in common in the mean streets close to central Los Angeles - the area burnt and looted in the 1992 riots.

In a place bereft of big business, high-class supermarkets, department stores and the crowds of suburban visitors formerly enticed by "ethnic" restaurants and music clubs, they are key to an effort to spark a social and economic recovery.

Magic Johnson's investment in a new multi-screen cinema complex that bears his name, and Food4Less, a low-cost food chain, play an important part in restoring an air of normality. The movies provide relatively cheap entertainment. The food store allows low-budget families to live reasonably on scant income.

Meanwhile, Toyota restores a sense of purpose for at least a few of the area's deprived young people. With a \$800,000 annual endowment and an open-ended commitment to train auto mechanics, fitters and sales staff, the group has established the Automotive Training Centre on a site long since deserted by an Oldsmobile sales franchise. At no cost to the students, the centre turns up to 100 operatives with 90 days' intensive training on to the jobs market every year.

The data - 80 per cent of "graduates" quickly find jobs, about 15 per cent of each group intake drops out - would be unremarkable were it not for its comparison with the world outside the centre, where statisticians find more fruitful pursuits in counting murders, armed robberies, drug deals and illegitimate births.

The Urban League, a middle-class black self-help association that co-operates in the running and staffing of the centre (70 per cent of the students are African-American and most of the others are Latinos) hopes that the confined success of the Toyota scheme will set a precedent for company involvement.

But there are few indications that the desired effect is materialising. At the same time, federal aid to inner cities is being squeezed down by budget cuts. The Youthbuild programme - in which young people are provided with crafts training in the construction trade and employed on contracts to build new homes or restore old housing - has been especially hard hit. Last year's 25 per cent cut in the budget for Washington's Housing and Urban Development department led directly to a loss for Youthbuild of almost \$140m. But money is only part of the problem in California - the seventh biggest economy in the world, which is currently generating jobs at the rate of about 20,000 a month. Much greater obstacles are

thrown up by the fragmented nature of the effort to salvage something from the wreckage of inner-city areas.

The providers of funds, advice and constructive help for inner areas of Los Angeles are many and scattered. They tend to be as intensely jealous of their territorial and ethnic "rights" as any of the so-called gang-bangers they are trying to assist.

For example, some \$5m in funds for Youthbuild programmes in LA last summer

was carved up variously between an apartment-building project in Little Tokyo, Filipino-Americans, Pacific islanders, an Asian-American anti-drugs programme, a house-building project for low-income residents in South Central and a community outreach project sponsored by the University of California, Los Angeles.

Although there is a measure of collaboration - some 40 youth-oriented aid organisations are grouped together in

the Los Angeles Urban Youth and Family Coalition - mistrust and the divisive tendencies that pitted the racial and social groups against one another in the 1992 riots are still all too evident.

If, in a city where the streets teem with jumbled micro-cultures, young people have a common heritage, it is one of alienation. Being "dissected" - treated disrespectfully - is the norm. Two-parent families are as scarce as jobs, and the 20-year-old man who has not

been to jail is exceptional. Crack cocaine, as they say in California, is the "drug of choice".

Now, moves led by the Californian state government to scrap "affirmative action" initiatives, which have for many years helped ensure work and education for under-qualified youth, the disadvantaged and people from racial minorities, seem likely to ensure that tensions are kept high in the pressure cooker of inner Los Angeles.

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4 INTERNATIONAL YOUTH

■ South Africa by Mark Ashurst in Johannesburg

The young lay to rest the slogan of struggle

'Liberation before education' has been replaced by a stress on youth opportunity

In the run-up to the historic election that swept him to power in 1994, the South African president, Mr Nelson Mandela, suggested the minimum voting age be reduced from 18 to 14. Though not a serious proposition, it highlighted a growing dilemma for the fledgling democracy: half the population is under-18, politicised and ambitious for a better future.

Reliable demographic data is hard to find in South Africa, but a collage of independent surveys offers a rough portrait of the youth population. Unisof reports there were 16.4m under-18s in South Africa in 1995. A study by the independent Community Agency for Social Enquiry in 1993 found there were another 10.7m youths aged 16-30, of whom 5.1m were black Africans.

Consensus-building committees abound in the new South Africa and, true to the nation's style, this year's first Parliamentary session will approve the setting up of a National Youth Commission. Mandated to "create a youth policy aimed at preventing youth marginalisation...and affording them optimal access to opportunities", the commission will advise government on issues affecting youth and co-ordinate development initiatives in both the private and public sectors.

There has been some speculation that Mr Mandela will head the commission himself. To do so would be to acknowledge the debt the new political elite feels it owes the youths who spearheaded the 1976 student uprisings in Soweto, and its keen sense of responsibility for the years of education boycotts that followed.

The first day of the Soweto riots is now a national holiday, but the struggle took a heavy toll. A year after Mr Mandela's release from prison in 1990, at least 1.7m students aged six to 18 were not attending school. By 1994 more than 42 per cent of 15-30 year-olds were jobless, with unemployment running at a much higher level among blacks (46 per cent) and mixed races or coloured groups (40 per cent) than whites (12 per cent) or Asians (29 per cent).

Today, the struggle slogan "Liberation before education" has been superseded by a

remarkable shift in attitudes. A pan-African survey by McCann-Erickson, the advertising agency, in 1995, found young people in all countries to be "highly preoccupied" with education, which was widely identified as the only reliable means to escape poverty. The principles of negotiation, cultural and racial tolerance, and the rejection of violence now enjoy unanimous support from all races.

But, although thousands of township children last year took up desks for the first time in formerly white primary schools, a large part of the higher education system remains in turmoil. Johannesburg's University of the Witwatersrand, which has accepted black students since the 1980s, last year became the scene for



Soweto youths: a new commission aims to act in their interests. Photo: Lisa

a dispute that probably did more than any other recent event to revive latent racial solidarities. The December suspension of Professor William Makgoba, the university's first black deputy vice-chancellor, following charges from 11 white academics that he falsified his CV and neglected routine duties, sparked student unrest reminiscent of the 1990s.

The post-Christmas publication of high-school examination results revealing a failure rate of 45 per cent, up from 42 per cent in 1994, did little to ease frustration over the slow pace of transformation at this traditionally liberal institution.

Although Professor Makgoba's suspension was lifted last month in the interests of securing a fragile peace before students returned to campus, the stage is set for further confrontations this year.

The other key problem affecting youth is economic. The National Youth Commission may have the ear of government, but it can do little to repair the underlying structural problems inherent in the current South African boom. Rising investment and more competitive practices could bring GDP growth of up to 4 per cent this year, but the concomitant phasing-down of protective conditions and the decline of labour-intensive mining and manufacturing industries has precipitated a period of employment growth.

■ Egypt by James Whittington in Cairo

Job hopes rise

Efforts to reduce the rate of youth unemployment are making slow, but sure progress

Egypt has suffered a rude awakening to the problems and frustrations of its youth.

With 42 per cent of its 60m citizens under the age of 15, the country is sitting on a time bomb that has already threatened to go off, unless drastic measures are taken to reform an antiquated economy and create more jobs.

The problem was highlighted towards the end of 1992 when the country was hit by a wave of terrorist attacks by Islamic militants who vowed to topple the government of President Hosni Mubarak. The majority of insurgents arrested turned out to be young and bored Egyptians who had either been damaged by, or become disillusioned with, the government's policies. Of a group of seven militants who were executed for attacks on tourists in 1993, for example, three were aged below 20.

For the time being, iron-fist security operations and extra money for development in the poorer areas of Egypt have - with the exception of some rural regions in the southern province of Minya - contained the Islamist violence. But the economic and social malaise that fuelled the trouble remains.

"What to do with the country's youth is perhaps the biggest problem facing Egypt at this time. The danger is that unless they are kept occupied and given jobs and a sense of responsibility they will remain highly susceptible to the fanatical brands of Islam which will lead to more unrest," says Ms Vanessa Tobin, a representative of the United Nations Children's Fund in Cairo.

The task is one of Herculean proportions. The unemployment rate is 17.5 per cent or 2.8m people, according to the World Bank. Eighty per cent of those without jobs are under 25 and most have had schooling up to the level of technical colleges.

The youth problem has been compounded by a government scheme that became law in the 1960s. Under it, all graduates were offered a job in the government or public sector. As



The underprivileged majority grows: 42 per cent of Egypt's 60m people are under 15; 80 per cent of those without jobs are under 25. Photo: Lisa

the number of graduates far outnumbered the number of jobs available a huge waiting list developed. Last year, for instance, saw the intake of 1986 graduates.

"With the private sector still in the early stages of development in Egypt, today's youth have been caught in the transition of economic restructuring from a nationalised to a privatised economy," explains Mr Ezzeldin Shawki, a consultant with the government's Social Fund for Development (SFD).

The prospects for the young are not, however, completely bleak. Helping them through the economic transition is difficult, but not impossible. Set up in 1991 to act as a safety net for those most vulnerable to the country's economic reforms, the SFD is one of the more successful organisations tackling youth-related problems. With a budget of \$65m and backed by the World Bank and 18 other donors, it offers, among other things, credit lines to help recent graduates set up their own businesses.

"Our aim is to make a real impact on the unemployment problem by targeting our youth. We want to change their mentality of waiting for a government job and encourage the development of the private sector and entrepreneurship," explains Mr Hussein el-Gamal, managing director. To date, the SFD says it has created 105,544 new permanent jobs throughout the country.

The success of the fund is evident in Upper Egypt, which has been hardest hit by the rise of fanatical Islam and militancy. In the southern governorate of Assuit, which two years ago was considered a

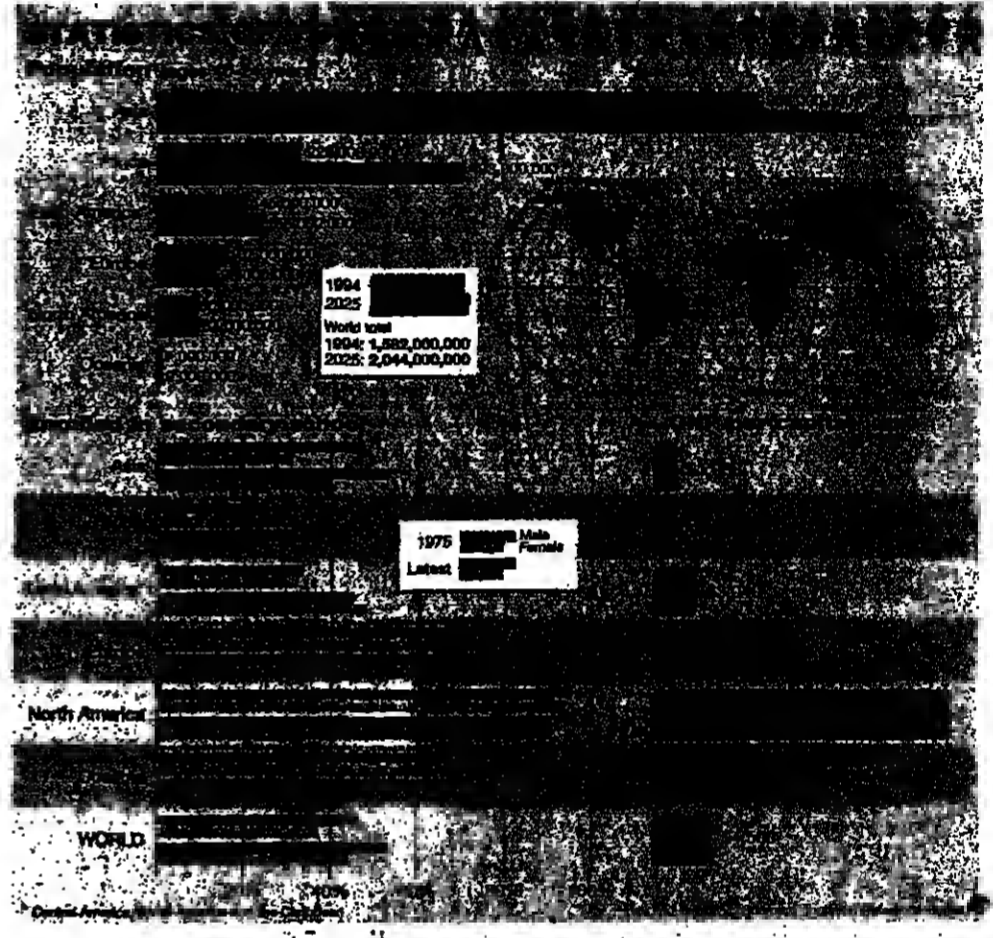
hot-bed for Moslem militants, the SFD has helped set up more than 2,300 small enterprises, many of them run by people in their twenties. The regional office in the town of Assuit, 575km south of Cairo, has over 100 enquiries every week from jobless graduates looking for work.

Among those who went on to set up a business are the

young Dobbee brothers. Together they borrowed \$30,000 on a five-year loan from the fund to buy machinery for the first and only rubber parts factory in Upper Egypt. Their small factory is situated in the run-down and dusty village of El-Asiya where 24 young staff work two 12-hour shifts. Last year's sales were about \$118,000 and the brothers hope

to start exporting soon to the Gulf.

"The only way to combat terrorism is to help the youth feel better about themselves and their future. Young people here have for so long had nothing to do. Now they see what my brothers and I are doing and want to do the same," says Ibrahim, the eldest of the three.



■ Indonesia: by Manuela Saragosa in Jakarta

Clash looms over government policy

The authorities' attitude to street children may prove at odds with current initiatives

At the busy Pulo Gedang bus terminal in west Jakarta, children weave barefoot in and out of buses and crowds, offering shoe-shine services, cleaning buses, selling newspapers, collecting garbage and sometimes begging. It is one of the many places in Jakarta that is both workplace and home to a group of children.

Official figures do not exist, but Indonesian non-government organisations estimate that the number of street chil-

dren has risen to anywhere between 5,000 and 15,000 in Jakarta alone to recent years, depending on how a street child is defined. As the number has swelled, it is privately funded NGOs that have taken the first steps to tackle the problem.

Indonesian authorities, which admit they lack strategies for dealing with street children, only embarked on a technical assistance project with the United Nations Development Programme (UNDP) last year.

Until a few years ago, the government was reluctant to acknowledge the existence of street children altogether. This year, however, the authorities are expected to come up with a

definition of a "street child" - a starting point for formulating policy. Currently, it is not clear how many of Indonesia's street children live and work full-time on the streets, are orphans or live with relatives and work on the street to earn income for their family.

"It's very difficult to provide an appropriate programme because the data is lacking," says a UNDP official.

"The charitable organisations, or 'yayasans' in Indonesian, which help street children, depend to a large extent on private sector funding. However, foreign aid agencies such as USAid, the US Agency for International Development, are among the most prominent donors. This creates doubts

about their durability. "Their sustainability is questionable because they depend so much on donor funding," says a UNDP official.

The prospect of government involvement, however, is not being greeted with open arms by all NGOs. The authorities' attitude towards street children has been anything but exemplary. During official visits by foreign state officials Indonesian police "cleanse" the main thoroughfares of street children, forcing them into houses managed by the Department of Social Affairs, which, according to an official at one NGO, are "like jails".

NGOs themselves are divided in their approach to helping street children. Some, like the

Yayasan Kesejahteraan Anak Indonesia, which operates one of the few 24-hour "open houses" for street children in Jakarta, work to reunite the children with family and schools.

Others, such as the Yayasan Mitra Masyarakat Kota, one of about eight Indonesian yayasans that fall under the USAid project Rescue, Reaching Children in Urban Environments, make no attempt at family reunion. Instead, they operate "teaching centres", where street children are taught how to improve their survival skills on the street. A new Rescue project also plans to help them develop skills that will increase their opportunities in the job market. General Electric is among the donors.

It is possible that the learning centres may come under fire from the government, which insists all forms of education conform to state ideology. Meanwhile, YKAI is having its share of difficulties. Some families simply refuse to acknowledge the child. In other cases, street children cannot return to school because their families are too poor to lose an income-earner or, because they do not have official identity cards, which are required for school entrance. "We are sometimes very frustrated," says a programme manager at YKAI. "It would be ideal if the project could reach the children, family and other segments of society such as the school."

In the meantime, street children are unwittingly waiting for the government to decide on their fate. Jojo, an 11-year old boy at YKAI's open house has no intention of going back to his family if he can help it. Accused of killing a goat, he ran away from his village in Lampung, Sumatra, after his father threatened to kill him. "I'm too scared to go back," he says.

The question is whether the government, once it has formulated a policy, will support the efforts of those NGOs that advocate accepting street children as part of street life in urban Indonesia.

■ Germany: by Michael Lindemann in Bonn

Out of the classroom, into the business world

School clubs are helping to give children the confidence to develop new skills

In the southeastern German city of Dresden schoolchildren have banded together to run a travel agency. In the nearby town of Hoyerswerda - scene of a fatal attack against foreigners in October 1991 - about 30 young people are being taught the essential skills of the construction trade. In Berlin, other schoolchildren have created a new "school club" and planted 70,000 oak trees where the Berlin wall stood only a few years ago.

The numerous schemes are part of a network of 216 school clubs set up since 1994 by the German Children and Youth Foundation (DKJS).

The word "club" is not accidental. On the one hand, the initiatives are designed to make schools themselves more attractive - and a site for activities other than those that take place strictly in classrooms. On the other hand, they are intended to give children the chance to feel they can set up an organisation for themselves and make decisions about it. Engendering self-respect may be a key to solving some teenage problems: the Berlin club, for example, works with juvenile delinquents in the hope they can encourage them back into mainstream education.

As Ms Helle Kahl, a former world speed skating champion, who is now the driving force behind the DKJS, points out, school is the ideal place at which to base these initiatives: children spend far more time there than anywhere else.

Schools themselves have changed little over the last century, Ms Kahl says. There is now a chance to use them for a variety of activities that regularly take children outside the classroom and, in the pro-

cess, break down the rigid distinctions between traditional schoolwork and other youth programmes.

The DKJS was set up in May 1994 under the patronage of Ms Rita Süssmuth, the president of the Bundestag, the lower house of the German parliament, and has started setting up school clubs and other programmes in eastern Germany.

Before the collapse of the Berlin wall, children in the German Democratic Republic used to spend time after school at traditional youth clubs. Now, according to studies conducted by the Berlin senate,

bring private capital and non-government organisations into an area of work where government structures appear to be overwhelmed.

"It's clear that the rapid changes within society, and the ever increasing number of tasks that result from those changes, cannot be borne by the state alone," Ms Kahl says. "Its structures are often too awkward and rigid."

The DKJS has started initiatives based on programmes such as Education for Enterprise, launched by the Princes Trust in Britain, and others that have come to its attention through its work with the US-based International Youth Foundation.

However, Ms Kahl insists that the DKJS aims not just to think up new ideas but to use existing structures to develop youth activities.

"That means also that we don't just go looking for new programmes in the US, for instance. It's very important to ensure that the work is somehow connected to the region where the children live."

An example is the port town of Rostock where plans are being hatched for a small shipyard where children can begin designing their own boats.

Most of the foundation's activities have so far been focused on the school clubs. The travel agency that was started at a Dresden school - called Power Tours - is busy organising school excursions and all sorts of other trips. The children have been able to buy shares in the company at DM5 each and Power Tours has also started selling its services to clients outside the school.

"They can hardly keep up with the pace of the new orders," says Ms Kahl. "Through such examples we want to try to nurture an entrepreneurial spirit for which, as you can imagine, there was never much room to the German Democratic Republic."

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At Price Waterhouse, our Audit & Business Advisory Services division has established a reputation for providing forward-thinking, innovative business advice to clients throughout the world. By focusing on certain key industry sectors we have been able to develop specific services and products which support our clients' efforts to maximise their success. In addition to our mainstream audit work we are active in such areas as cost and risk management, corporate strategy, treasury, forensic and other investigations.

Our specialist group serving the Utilities sector is enjoying unprecedented success and is consequently seeking to recruit a number of experienced professionals to join their team. Your prior experience may have been gained with an energy or water company, a regulator, a financial institution or an accountancy/consultancy firm.

Professionally qualified and currently operating at a Managerial level, you will have the ability to develop client relationships through the rapid appreciation of business issues and opportunities, as well as strong analytical and communication skills. As we work on an international scale, linguistic skills or international experience would be an advantage.

In return, PW offers a client base which includes some of the leading organisations in this exciting sector. Working in multi-disciplinary teams, you will have the opportunity to develop new skills and to progress as quickly and as far as your abilities allow. Remuneration will be competitive and will reflect the extent and depth of your relevant experience.

Interested candidates should send a comprehensive CV, to: Charles Macleod, Price Waterhouse, No.1 London Bridge, London SE1 9QL.

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Price Waterhouse is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

APPOINTMENTS ADVERTISING

Appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For information on advertising in this section please call:

Robert Hunt on +44 0171 873 4095

Senior Financial Analyst

London

Buena Vista International is a major subsidiary of Walt Disney Studios whose interests include Touchstone Pictures, Walt Disney Pictures, Hollywood Pictures and Miramax. As a leading theatrical distributor of motion pictures its recent releases include *Crimson Tide*, *Lion King*, *Die Hard 3* and *Pulp Fiction*. The company now seeks to recruit an exceptional Financial Analyst.

Reporting to senior management, the role will encompass the following tasks:

- Providing comprehensive financial support to Senior Management.
- Long term fiscal and strategic planning.
- Capital investment appraisal.
- Budgeting, financial analysis and management reporting.

Interested applicants should write, in the strictest confidence, to our retained consultants Brian Hamill or Robert Walker at Walker Hamill Executive Selection, forwarding a brief resumé quoting Ref: BH 2300. All direct applications will be forwarded to Walker Hamill.



Part of the Magic of The Walt Disney Company ©

WALKER HAMILL

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St. James's
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Tel: 0171 839 4444
Fax: 0171 839 5657

FINANCIAL ANALYST

AMSTERDAM, THE NETHERLANDS

50K + RELOCATION

Our client is one of the fastest growing companies in the telecommunications industry. With a newly formed head office in Amsterdam, the company employs approximately 600 people worldwide. Due to strong expansion foreseen over the coming years, they are now looking to recruit a financial/business analyst who will report to the Vice President Finance & Administration.

- Your main responsibilities will be:
- Close involvement in Group consolidation
 - Review, analysis and reporting of financial performance

- Pro-active business performance analysis and recommendations
- (Acquisitions) valuations
- Supporting the regional offices
- Ad hoc projects

The ideal candidate will be a qualified accountant (RA/ACA/CPA) with four to six years experience gained working for one of the 'Big Six' and/or a multinational in a similar role. There is a strong preference for candidates who have been exposed to the telecoms and/or cable industry.

Furthermore you must be able to work to tight deadlines and under

pressure. Exceptional interpersonal skills are a prerequisite as is the ability to look commercially and strategically at the business. He/she should have extensive experience with spreadsheet software (Lotus/Excel) and prepared to travel at short notice. The business language is English.

If you are interested in this opportunity, please contact Mr Maurits A.N.M. Claassen on (3120) 6444 655 or alternatively send your curriculum vitae to the following address: Robert Walters Associates, 'Rivierstaete', Amsteldijk 166, 1079 LH Amsterdam, The Netherlands (Fax 3120 6429 005).

ROBERT WALTERS ASSOCIATES



L O N D O N W I N D S O R E N E W Y O R K A M S T E R D A M B R U S S E L S S Y D N E Y



Manchester
c.£40,000 + Car + Bens

UCI, a joint venture between Paramount and Universal, is the European market leader in the development and operation of multiplex cinemas. The Group has experienced sustained and rapid growth in both turnover and profitability. Significant plans for further expansion by acquisition, joint venture and organic growth include immediate entry into new markets in Brazil, Japan and Eastern Europe. To support this business development, UCI wishes to strengthen its corporate finance team through the appointment of two high calibre individuals.



Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leeds Liverpool London
Manchester Nottingham Nottingham St Albans & Worldwide

Director of Finance

Reporting to the VP Finance, your principal responsibilities will include:

- All aspects of group reporting.
- Development of group reporting systems including implementation of UCI reporting systems in new territories as they become operational.
- Establishment of improved financial disciplines.
- Co-ordination of group budgets and forecasts.

- Candidates
- Qualified Accountant
 - Experience gained within an international business environment
 - Systems development and implementation skills

Ref: 269244

Both roles will require individuals with energy, enthusiasm and a strong commitment to achieving results within a small team. In addition, you will need to demonstrate well developed interpersonal skills along with a creative and innovative approach to problem solving. Both positions will involve extensive liaison with the US parents and with UCI's operating subsidiaries worldwide.

Interested applicants should forward a comprehensive curriculum vitae quoting the appropriate reference number above, to Stephen Banks, ACMA, at Michael Page Finance, Clarendon House, 81 Moseley Street, Manchester M2 3LQ. Fax: 0161 236 6961.

Director of Tax/Treasury

Reporting to the VP Finance, the primary areas of responsibility will include the following:

- Tax planning, with particular focus on the development of tax efficient structures for all UCI operations.
- Co-ordination of tax compliance for all companies in the UCI Group.

In addition, the right individual will have the opportunity to take responsibility for the group's treasury function.

- Management of group bank relationships.
- Development of treasury reporting and forecasting systems.

- Candidates
- Probably a qualified accountant
 - Demonstrable international tax experience
 - Experience of treasury issues would be desirable though not essential.

Ref: 272970

BUSINESS CONSULTANTS

Part of a major international group, Wilco International provides investment banking systems to an expanding client base worldwide. The business has grown rapidly and continues to expand in order to provide the quality and speed of service demanded by our new and existing clients.

The Business Consultancy department is now seeking to recruit qualified accountants, in London, New York and Hong Kong, with one to two years PQE who have in-depth experience of accounting or consulting in the Securities industry. The role will include:

- working with clients to implement our settlement systems and advising them on the accounting issues
- being instrumental in the further enhancement of our systems
- expanding business knowledge through cross-consultant training and exposure to the differing businesses of our clients
- developing expertise in the various aspects of consultancy
- the possibility of travel abroad on short or long-term assignments.

If you have relevant experience, an enthusiastic demeanour, a flexible approach and are seeking to utilise your experience in a more exciting environment, please send your CV with a covering letter to Martin Veggars, Human Resources Manager, Wilco International Ltd, Turnberry House, 100 Bunhill Row, London EC1Y 8ND. No agencies.

Wilco International Ltd



London-New York-Hong Kong

Swiss Entity Accountant

Major Investment Bank

London

& Competitive

Our client is a Swiss owned, fully integrated global investment banking and securities firm with an outstanding reputation across all major markets. It has a substantial European presence, centred in London. Due to re-organisation, the firm is relocating the accounting responsibilities for its Swiss entities to London.

As a result, it now wishes to strengthen its reporting team in London, by recruiting an accountant to control all aspects of financial and management reporting for these Swiss entities. This broad role will also encompass communication on tax and legal matters, ad-hoc projects and some travel to Switzerland. Prospects for future progression are excellent.

The successful candidate is expected to have good knowledge of Swiss GAAP and legal requirements. Banking knowledge is not a prerequisite - candidates will be considered from practice, the city, or industry. Relevant language skills would be advantageous.

There will be frequent contact with senior staff within the organisation, therefore strong communication skills are required. Salary will be commensurate with experience, and a package including full banking benefits will be offered.

Interested candidates should write, enclosing curriculum vitae, to David Lethead at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH.



Michael Page City
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HEAD OF INTERNATIONAL INTERNAL AUDIT

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Whether you are on a train, a boat or a plane, you will always be in the driving seat in this challenging role. The demanding nature of your task is apparent in the breadth of responsibility you will take on and the diverse geographical locations in which you will operate.

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As the only permanent member of the internal audit function, you will single-handedly develop and implement the audit programme and objectives, bringing together from around the company the personnel you need to accomplish each task.

PA Consulting Group is one of the world's leading international management and technology consultancies. Within this large and complex organisation you will report directly to the Chairman and Group Chief Executive on a wide range of internal audits of financial, commercial and operational practices in every area of Group activity. A further responsibility in this demanding role will be the enhancement of our well-defined and disciplined standard operating procedures.

You will be an ACA with a good first degree, possibly an MBA, and several years' post-qualification audit experience within a 'best practice' environment. You must have unequivocal credibility at senior management level, based on your sound professional expertise, integrity and strength of personality. First-class analytical ability with persuasive communication and presentation skills will also be essential to your success.

Benefits include a performance-related bonus, company car scheme, pension and private health plan. To apply, please send a full cv, indicating current salary, to Roselyn Cason-Marcus, Ref: Corp 1/96, PA Consulting Group, 123 Buckingham Palace Road, London SW1W 9SR.

PA is an equal opportunity employer



Manager - European Finance Projects

West London

£35-40,000 + Car

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To continue the rapid growth, the company is currently undergoing a Pan-European restructuring. Our client wishes to make this critical appointment to develop the finance structure to support this process. Principal responsibilities will include:

- Implementation of new finance structures and procedures for changing European distribution channels.
- Maximisation of legal, fiscal and taxation benefits across Europe.
- Co-ordination and delivery of finance strategy for new European business.
- Project manage systems development and transition to support new European structure.

- Development of Pan-European pricing policy.
- Special projects as directed by European Finance Director.

The successful candidate will be a qualified accountant with a proven track record in managing and implementing change on a Pan-European level. Applicants with fluency in a European language or previous experience in a US multi-national would be of particular interest. Confidence, the ability to influence and build relationships with top management and a high level of commercial acumen are pre-requisites. Candidates must be willing to travel extensively across Europe (to 50%).

Should you be interested in applying for the role, please send a full CV, including details of current remuneration and quoting reference 267605, to Simon Bailey at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH or fax on 0171 242 3578.



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- To provide an effective and efficient customer focused, risk based internal audit service.
- To manage and lead 90 people in audit units within the European region.
- To drive a substantial re-engineering programme to consolidate and align the operations of the existing function.
- To liaise with regulators and external auditors.
- To contribute to worldwide audit policy and practices.

The Requirements

- Qualified accountant with excellent professional skills and at least ten years internal or external audit management experience.
- Recent experience of financial services and a good understanding of technology, treasury and banking related regulation and legislation.
- Proven leadership skills.
- A demonstrable aptitude for change management.
- Extensive travel required.

In the first instance, please send your CV with current salary details to: Julia Williams, K/F Associates, 252 Regent Street, London W1R 6HL, quoting ref: 6475/H, or alternatively by e-mail to cv@kfaeurope.com

Internet Home Page address: <http://www.kfaeurope.com/kfaeurope/>

K/F ASSOCIATES

ROBIFERRY CARRIGORAN INTERNATIONAL

Our client is a leading international auditing, management consulting and tax firm. This key appointment represents a further step forward in their regional development programme in Africa.

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Zambia is Africa's model country, a democracy seeking clear economic goals through the development of a market economy led by the private sector and attracting substantial international corporate investment.

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To learn more about this unique opportunity please write, enclosing your full CV to Charles Cotton. Alternatively, telephone to discuss your interest.

All enquiries will be treated in the strictest confidence.

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An integral part of our Finance team, you will prepare monthly, interim and annual consolidated results for the Group and will liaise closely with our European subsidiaries, including translating their results into sterling. As a major part of the role you will be expected to both identify and explain variances from budgets and forecasts. This is a high profile post and excellent interpersonal skills are vital, together with the ability to work accurately to tight deadlines.

The Woolwich is an equal opportunities employer. We welcome applications from people with disabilities, from all races, religions and from both sexes.



WOOLWICH
— BUILDING SOCIETY —



INVESTOR IN PEOPLE

An opportunity to join a growing, fast paced global financial markets group as financial controller within their emerging markets division.

We're looking for a business/accounting graduate with 3-5 years relevant experience, or a Qualified Accountant/NBA. Financial control experience gained within a banking or fixed income trading environment would be advantageous.

Reporting to the Country General Manager key responsibilities will include:

- operational and accounting control of business activities
- daily, weekly & monthly reporting back to the US parent company
- risk management, credit limits and trading limits
- local tax compliance and legal issues

The division's activities include institutional brokerage services and proprietary trading in a broad range of financial instruments. The division is highly profitable, innovative in creating new products and makes a strong impact on the international financial markets. Russia and the former Soviet Union are key growth areas.

As part of a high calibre professional team your contribution will be key to the long term growth of a dynamic business. You will be working for a company who believes its real assets are its people and as the business grows, so will you.

Financial Management aims to develop future business managers for the company through the accounting discipline. The opportunity for individual accountability and rapid advancement, combined with high rewards for successful personal performance is designed to encourage managers to stay with the company throughout their career. Ref: 0447

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Our client, a major UK FMCG Group, manufactures and markets an impressive range of household name products. Outstanding growth in recent years has been achieved through innovation, leading to outstanding customer service. The Group is planning a new IT strategy which will enable the business to gain substantial commercial advantage. An opportunity has arisen for a talented senior accountant to join the Group's flagship manufacturing site, as part of the senior management team.

Existing and planned financial appointment will have broad based responsibilities including:

- Control and management of the financial management of a complex manufacturing operation including the implementation of ERP and leading edge planning systems
- Management of teams in controlling costs and adding value to the manufacturing process
- Extensive interaction with all functions, combined with a major contribution as part of the management of a wide range of ad-hoc projects
- Liaison with external accountants with a track record of managing change within a quality, cost conscious manufacturing group. Strong cost control and systems implementation skills, combined with a high level of initiative and interpersonal skills are essential prerequisites.

This is an excellent opportunity to deliver significant change within a major group. Career prospects, based on the outstanding performance of the Group, are excellent.

Interested candidates should write, enclosing a CV and salary history, to: Toner Graham, 8 Imperial Square, 100 Tottenham Court Road, London W1P 0LP.

TONER GRAHAM
ACCOUNTANT SPECIALISTS

MANAGEMENT ACCOUNTANT

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This innovative PLC, a £2Bn business, is a pioneer in a number of chemical related businesses, it has a name synonymous with quality and state of the art technology.

An opportunity has become available following the recent acquisition of a market leader in Germany. Reporting to the Commercial Director, this high profile role will assume responsibility for all management reporting and forecasting. Working with senior management you will gain exposure to all aspects of the business, defining and producing qualitative management information. Additionally you will assist in the implementation of the internal computer system across the business.

To perform this pivotal role you will ideally be aged between 25-30 years, possessing a recognised accountancy qualification with a minimum of 2 years industry experience.

Individuals should be proven communicators, be confident dealing with non financial personnel and able to work in a multi task environment. Fluency in English and German is essential.

Interested candidates should contact Jane Storie, in strictest confidence at FSS Europe, Charlotte House, 14 Windmill Street, London W1P 2DY. Tel: (44) 171 209 1000 or Fax: (44) 171 813 9479. Ref: FT 003L. Closing date for applications: 12 February 1996.



DOUGLAS LLAMBIAS ASSOCIATES

Finance and Operations Manager

West End

c.£60,000 + Bens

The Business

This Property Asset Management division of a major city institution controls all aspects of the Group's property investment portfolio, with responsibility for over £500m worth of capital assets and an annual income in excess of £50m.

The Role

A challenging opportunity encompassing a wide spectrum of business activities ranging from development of information systems, procurement and insurances to full involvement in the current programme of business review and operational improvements. Reporting directly to the Deputy Managing Director, you will be responsible for a finance team of 20, providing Financial and Management reports, as well as directing all other financial operations.

The Candidate

A graduate qualified accountant with strong leadership skills and at least 8 years experience of financial control and management reporting in a progressive environment. Experience of managing change and influencing the direction of a business are critical, as are the drive and enthusiasm needed to be a key member of a young management team. Property knowledge is an advantage but is not essential.

Please send a full CV quoting reference FT010296 to Jonathan Gill or Bruce Page, Douglas Llambias Associates, 410 Strand, London WC2R 0NS. Tel: 0171 836 9501 or Fax: 0171 379 4820.



RECRUITMENT CONSULTANTS



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مكتبة التعمير

CURRENCIES AND MONEY

MARKETS REPORT

Dollar stays firm after Bundesbank cuts repo rate

By Philip Gawth

The dollar's recent rally received a further jolt yesterday when the Bundesbank council decided to fix the repo rate ten basis points lower, at 3.30 per cent, for the next two tenders.

There was some disappointment that the Bundesbank did not also cut the discount rate, but the continued fall in the repo rate was seen by analysts as confirming the downward trend in official rates.

The dollar closed in London at DM1.4333 and ¥107.115, from ¥1.4879 and ¥106.915 on Wednesday before the US Federal Reserve announced a 25 basis point cut in the Fed funds rate to 5.25 per cent.

The dollar is now close to a one year high against the D-Mark, and a two year high against the yen.

The Bundesbank's lead was followed by the other "hard currency" countries in the European exchange rate mech-

anism. The Bank of France cut the intervention rate to 4.05 per cent from 4.2 per cent. The Austrian National Bank set its repo tender at 3.3 per cent, from 3.55 per cent. Belgium cut its central rate to 3.3 per cent, from 3.4 per cent, while the Dutch central bank cut the special advances rate to 3 per cent from 3.2 per cent.

The lira continued its good showing, helped by a renewed bout of speculation that it might rejoin the European exchange rate mechanism, which would probably require a further revaluation to satisfy countries like Germany and France that it was not joining at an excessively advantageous rate. It closed at L1,038 against the D-Mark from L1,071.

The pound finished firmer

Table with 3 columns: Jan 30, Jan 23, Jan 16. Rows for £/DM, £/¥, £/US\$.

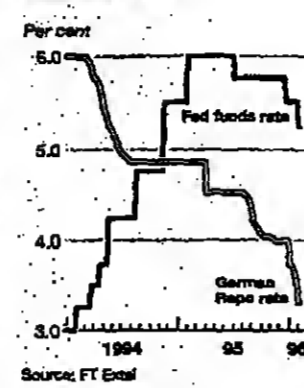
against the D-Mark, helped by the stronger dollar and a good set of trade figures. It closed at DM2.3595, from DM2.2482. It was little changed against the dollar at \$1.5131, from \$1.5111.

The Bundesbank's decision to fix the repo was taken by some analysts as an indication of unhappiness at the pace of recent falls. Mr Julian Jessop, international economist at HSBC Markets in London, said the bank "wants to calm things down".

He disputed the view that the pace of recent falls was a policy signal from the bank, saying that the market had run ahead of itself in its expectation of monetary easing. But he is concerned with the majority view that the next move in rates is down.

This is seen as a positive backdrop for the dollar. Mr Paul Chertkow, head of global currency strategy at UBS in London, said they were revising their twelve month fore-

Interest rates



Source: FT Intel

Mr Chertkow did add that current moves in the exchange markets were "not so much dollar resurgence as yen and D-Mark corrections. They are going back to levels we perhaps should not even have gone through in the first place. The market has come back to more fundamental values."

He said he took heart from the fact that the dollar's rally came despite the unhelpful backdrop of the unresolved budget conflict. He said when this was out of the way, it was possible that the market would make the leap towards "out-right positive sentiment in favour of the dollar".

Mr Chertkow said that while a budget deal could serve as a catalyst, positive economic fundamentals, especially inflation, would be the fuel for a more enduring rally, both for the dollar and bonds. Mr Jeremy Hawkins, chief economist at the Bank of America in London, said the current strength of the dollar

was mostly a function of concerns about slower economic growth in Europe. "It is R for recession in Europe competing with D for default in the US," said Mr Hawkins.

He surmised that the difference might be that the US had more control over whether a default situation was reached, hence the markets were giving the US the benefit of the doubt. The dollar's inability to break decisively above DM1.50 is being attributed to the climate of uncertainty surrounding the timetable for the single currency project. Traders reason that any setback favours the D-Mark, because it delays the day when it will be joined with other, possibly weaker, European currencies.

Other currencies: UK, US, DM, SF, etc. Table with columns for currency, rate, and change.

WORLD INTEREST RATES

Table of money rates for various countries including Belgium, France, Germany, Italy, Netherlands, Switzerland, US, and Japan.

Table of LIBOR FT London rates for various currencies and terms.

Table of Euro currency interest rates for various currencies and terms.

POUND SPOT FORWARD AGAINST THE POUND

Table showing closing mid-point, change on day, bid/offer spread, and forward rates for various currencies against the pound.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table showing closing mid-point, change on day, bid/offer spread, and forward rates for various currencies against the dollar.

THREE MONTH EURO CURRENCY FUTURES (LFF) DM1m points of 100%

Table showing open, set, price, change, high, low, est. vol, open int. for LFF DM1m.

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CROSS RATES AND DERIVATIVES

Table of exchange cross rates for various currencies.

Table of D-Mark futures (DM) DM 125,000 per DM.

Table of Swiss franc futures (SM) SF 125,000 per SF.

Table of UK interest rates.

Table of London money rates.

Table of three month sterling futures (LFF) £500,000 points of 100%.

Table of base lending rates.

Table of three month sterling options (LFO) £500,000 points of 100%.

Table of three month eurodollar (EM) \$1m points of 100%.

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Notice of Early Redemption to Holders of Series C, D, M, F & I of RSVP City Limited

Notice of early redemption for RSVP City Limited bonds. Includes details on interest, principal, and redemption date.

The United Mexican States Floating Rate Privatization Notes Due 2001

Notice of early redemption for Mexican floating rate privatization notes. Includes details on interest and principal.

BANCO NACIONAL DE MEXICO, N.Y.

January 30, 1996

MGI Secured Obligations Ltd. MGI Secured Obligations II, Ltd.

Announcement of MGI Secured Obligations Ltd. and MGI Secured Obligations II, Ltd. Includes details on bond offerings.

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Advertisement for Knight-Ridder's Futures Market Databook. Includes details on the product and price.

SOVEREIGN (FOREX) LIMITED

Advertisement for Sovereign (Forex) Limited. Includes details on services and contact information.

Argus Fundamentals

Advertisement for Argus Fundamentals. Includes details on the service and contact information.

Petroleum Argus

Advertisement for Petroleum Argus. Includes details on the service and contact information.

LONDON SHARE SERVICE

Handwritten note in Arabic script: "هذه امة لا امة"

TRUSTS SPLIT CAPITAL - Cont.

Table listing various trusts with columns for Name, Price, and other financial metrics.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for Name, Price, and other financial metrics.

INVESTMENT COMPANIES

Table listing investment companies with columns for Name, Price, and other financial metrics.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for Name, Price, and other financial metrics.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies (continued).

LIFE ASSURANCE

Table listing life assurance companies with columns for Name, Price, and other financial metrics.

MEDIA

Table listing media companies with columns for Name, Price, and other financial metrics.

OIL, EXPLORATION & PRODUCTION

Table listing oil, exploration, and production companies with columns for Name, Price, and other financial metrics.

OIL, INTEGRATED

Table listing integrated oil companies with columns for Name, Price, and other financial metrics.

OTHER FINANCIAL

Table listing other financial companies with columns for Name, Price, and other financial metrics.

OTHER FINANCIAL - Cont.

Table listing other financial companies (continued).

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies with columns for Name, Price, and other financial metrics.

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for Name, Price, and other financial metrics.

PROPERTY

Table listing property companies with columns for Name, Price, and other financial metrics.

PROPERTY - Cont.

Table listing property companies (continued).

RETAILERS, FOOD

Table listing food retailers with columns for Name, Price, and other financial metrics.

RETAILERS, GENERAL

Table listing general retailers with columns for Name, Price, and other financial metrics.

RETAILERS, GENERAL - Cont.

Table listing general retailers (continued).

SUPPORT SERVICES

Table listing support services companies with columns for Name, Price, and other financial metrics.

SUPPORT SERVICES - Cont.

Table listing support services companies (continued).

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for Name, Price, and other financial metrics.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for Name, Price, and other financial metrics.

TOBACCO

Table listing tobacco companies with columns for Name, Price, and other financial metrics.

TRANSPORT

Table listing transport companies with columns for Name, Price, and other financial metrics.

WATER

Table listing water companies with columns for Name, Price, and other financial metrics.

AIM - Cont.

Table listing AIM companies (continued).

AMERICANS

Table listing American companies with columns for Name, Price, and other financial metrics.

CANADIANS

Table listing Canadian companies with columns for Name, Price, and other financial metrics.

SOUTH AFRICANS

Table listing South African companies with columns for Name, Price, and other financial metrics.

Advertisement for Videoconferencing giant to go public on 7th March 1996. Includes contact information for PictureTel and a description of the service.

GUIDE TO LONDON SHARE SERVICE

Guide to London Share Service. Includes information on how to use the service, company classifications, and symbols used in the listings.

FT Free Annual Reports Service

Information about the FT Free Annual Reports Service, including how to obtain reports and contact details.

FT Company Focus

Information about the FT Company Focus service, including the scope of the reports and how to access them.

FT Cityline

Information about the FT Cityline service, including how to obtain share prices and other market data.

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing Bermuda (SIB recognised) funds with columns for fund name, price, and change.

BERMUDA (REGULATED)**

Table listing Bermuda (regulated) funds with columns for fund name, price, and change.

GUERNSEY (SIB RECOGNISED)

Table listing Guernsey (SIB recognised) funds with columns for fund name, price, and change.

GUERNSEY (REGULATED)**

Table listing Guernsey (regulated) funds with columns for fund name, price, and change.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB recognised) funds with columns for fund name, price, and change.

IRELAND (REGULATED)**

Table listing Ireland (regulated) funds with columns for fund name, price, and change.

Table listing various offshore funds under the 'BERMUDA (SIB RECOGNISED)' section.

Table listing various offshore funds under the 'BERMUDA (REGULATED)**' section.

Table listing various offshore funds under the 'GUERNSEY (SIB RECOGNISED)' section.

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Table listing various offshore funds under the 'IRELAND (SIB RECOGNISED)' section.

Table listing various offshore funds under the 'IRELAND (REGULATED)**' section.

ISLE OF MAN (REGULATED)**

Table listing Isle of Man (regulated) funds with columns for fund name, price, and change.

JERSEY (SIB RECOGNISED)

Table listing Jersey (SIB recognised) funds with columns for fund name, price, and change.

JERSEY (REGULATED)**

Table listing Jersey (regulated) funds with columns for fund name, price, and change.

LUXEMBOURG (SIB RECOGNISED)

Table listing Luxembourg (SIB recognised) funds with columns for fund name, price, and change.

LUXEMBOURG (REGULATED)**

Table listing Luxembourg (regulated) funds with columns for fund name, price, and change.

ISLE OF MAN (SIB RECOGNISED)

Table listing Isle of Man (SIB recognised) funds with columns for fund name, price, and change.

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LONDON STOCK EXCHANGE

MARKET REPORT

Rate cut anti-climax sees share prices drift

By Steve Thompson, UK Stock Market Editor

There was an element of anti-climax around London's trading rooms at the performance of the UK's equity market following developments in international interest rates.

By some traders as "lifeless", but which nevertheless saw some keen activity across many market sectors. The FT-SE 100 was left with a 6.5 decline at 3,752.8.

Although global markets had mostly been expecting the cut in US rates, traders and other market observers said Wall Street's reaction had been surprising.

From being down 14.8 shortly after the opening, the FT-SE 100 clawed its way back to post a 4.6 decline, before embarking on a gradual retreat at the close.

"It does not really matter if Wall Street is up 20 points or down 20 points, it is bonds that will lead the way," he added.

Broker cut hits Tesco

A profits downgrade and change of recommendation for Tesco sparked a retreat in leading food retailers.

Argyll closed 5 1/2 lower at 328p, while Sainsbury eased 3 1/2 to 391p. There was a two-way pull in Asda which brought volume of 13m as the shares slipped 1/4 to 105 1/2p.

looking for speculative gains in a sector which promises far more than it has delivered.

For example, British Biotech had advanced more than 30 per cent this month on prospects for its anti-cancer treatment.

Conglomerate Suter was another stock that saw heavy volume, after Charterhouse TILN crossed a block of 4m shares at 157p.

One leading broker was also said to have advised clients to switch into Rank and out of Ladbroke, which fell 3 at 165p.

FUTURES AND OPTIONS

Table with columns: Index, Open, Settle, Change, High, Low, Est. Vol, Open Int. Includes FT-SE 100 INDEX FUTURES and FT-SE 100 INDEX OPTIONS.

Table with columns: Index, Open, Settle, Change, High, Low, Est. Vol, Open Int. Includes FT-SE 100 INDEX FUTURES and FT-SE 100 INDEX OPTIONS.

TRADING VOLUME

Table with columns: Stock Name, Vol, Cl.ing, Day's % chg. Lists major stocks like BT, British Airways, etc.

London market data

Summary table for London market data including Shares and falls, Total rises, Total falls, etc.

FT-SE ACTUARIES SHARE INDICES

Table showing FT-SE Actuaries Share Indices for various sectors like 10 MINERAL EXTRACTION, 12 Extractive industries, etc.

Hourly movements

Table showing hourly movements for FT-SE 100, FT-SE Mid 250, FT-SE A 350.

FT-SE ACTUARIES 350 INDUSTRY BASKETS

Table showing FT-SE Actuaries 350 Industry Baskets for various sectors like Bldg & Constr, Pharmaceut, etc.

Large advertisement for 'At Davos' featuring the FT logo and text: 'Over the next few days a thousand chairmen and chief executives from top international companies will travel to the Swiss resort of Davos to join prime ministers, presidents and other leading decision makers for the summit of the year - the annual meeting of the World Economic Forum.'

Large advertisement for 'At Davos' featuring the FT logo and text: 'Over the next few days a thousand chairmen and chief executives from top international companies will travel to the Swiss resort of Davos to join prime ministers, presidents and other leading decision makers for the summit of the year - the annual meeting of the World Economic Forum.'

Footer area containing logos for AMX, Microsoft, and Compaq, along with contact information for FTVISION.COM.

WORLD STOCK MARKETS

Handwritten note in Arabic script: "ماتة من الحزن"

Main table of world stock markets including sections for EUROPE, ASIA, GREECE, NORWAY, ITALY, POLAND, SWITZERLAND, DENMARK, CZECH REP, PORTUGAL, PACIFIC, JAPAN, SPAIN, NETHERLANDS, FRANCE, SWEDEN, AUSTRALIA, SOUTH KOREA, SOUTH AFRICA, and AFRICA. Each section lists various stocks with their respective prices and changes.

Advertisement for Rockwell: "In the world of automotive component systems, Rockwell is world class". Includes the Rockwell logo and text: "AUBURN • AUBURN • AUBURN • AUBURN".

INDICES table showing various market indices such as ARGENTINA, AUSTRALIA, CANADA, GERMANY, HONG KONG, INDIA, JAPAN, SOUTH AFRICA, and SOUTH KOREA. Columns include index name, date, and values.

US INDICES table showing major US market indices including Dow Jones, S & P 500, NASDAQ, and NYSE. Columns include index name, date, and values.

Table of exchange rates and other financial data, including sections for AUSTRALIA, SOUTH KOREA, SOUTH AFRICA, and AFRICA. Columns include country, date, and values.

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INDEX FUTURES table showing futures contracts for various indices like S&P 500, Dow Jones, and Nikkei. Columns include index name, date, and values.

Footnote and disclaimer text: "FT FREE ANNUAL REPORTS SERVICE... Prices on this page are based on the...".

4 pm close February 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices, organized into columns with headers like 'NEW YORK STOCK EXCHANGE COMPOSITE PRICES'. Includes sub-sections for 'NEW YORK STOCK EXCHANGE', 'NASDAQ', and 'AMERICAN STOCK EXCHANGE'. Each entry lists a stock symbol, price, and change.

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Continued on next page

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for stock name, price, and change. Includes sub-sections for 'Continued from previous page', 'A-Z', and 'X-Y-Z'.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market listing various stocks with columns for stock name, price, and change. Includes sub-sections for 'A-Z', 'X-Y-Z', and 'W'. Contains a large number of entries.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, and change. Includes sub-sections for 'A-Z', 'X-Y-Z', and 'W'.

Advertisement for Financial Times World Business Newspaper. Text includes: 'Have your FT hand delivered in Warsaw', 'Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day. Hand delivery services are available for all subscribers who work or live in the business centre of Warsaw. Please call +48 2 644 5522 for more information.', 'Financial Times. World Business Newspaper.'

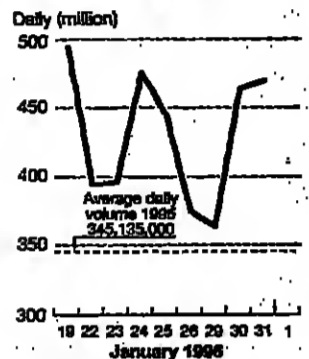
AMERICA

Profit-taking pulls Dow from the peak

Wall Street

Leading US stocks fell yesterday morning, ending their record breaking run, as profit-taking set in following Wednesday's interest rate cut...

NYSE volume



comprise by 0.97 to 555.07 and the Nasdaq composite by 1.14 to 1,064.93.

Volume on the New York SE came to 262m shares.

The fall in the Dow was in spite of a rise of 5 1/2% to 5,109 in IBM, a Dow constituent. Other technology stocks were firm, recovering from a sell-off in recent weeks...

In the bio-technology sector, Amgen gained \$2 to \$62 1/2, following strong fourth quarter earnings announced late on

Mexico weakens

Mexico City opened weaker and was unable to shake off the negative sentiment by mid-morning. At noon the IPC index was down 24.95 at 3,009.70.

Analysts said many investors had begun to take profits earlier this week following the market's strong start to the year. Worries about high inflation and the peso's ability to weather lower interest rates had also caused some institutions to reduce their exposure.

SA golds at 12-month high

Gold shares gathered last minute momentum to end at a new 12-month high. The golds index surged 57.1 to 1,755.2, the overall index gained 29.3 at 5,800.2 and industrials made 20.3 to 5,619.3.

The gold miners were encouraged as London spot prices were fixed at \$409.10 an ounce, the highest since August 1990. But Gencor lost

EUROPE

Mr Maccanico gets guarded welcome in Milan

The appointment of a compromise candidate, Mr Antonio Maccanico, as prime minister designate was given a guarded welcome in MILAN.

The appointment put off the prospect of the country being plunged into a general election campaign, three years early.

However, analysts cautioned that Mr Maccanico potentially still faced an uphill struggle as he tried to form a cabinet with broad backing to head the country's 55th government since the end of the Second World War.

The Comit index rose 10.61 to 630.55, while the real-time Mibtel index closed 138 ahead at 10,061.

Fiat fell L102 to L5,232 after Wednesday's annual letter to shareholders. Activest, an independent research group which downgraded the stock, noted that the income statement had been penalised by both a decline in Brazilian car sales and a stronger lira in the second half of 1995.

By contrast, Fidis soared L223 to L4,207 on news that the carmaker planned to launch a public offer this month for 48 per cent of its financial services arm at L4,300 a share.

Banks put in a strong performance on hopes that a new government could herald an early interest rate cut. BCI rose L106 to L3,719, Credito

FT-SE Actuaries Share Indices

Table with columns: Index Name, Daily Changes, Open, 10.30, 11.00, 12.00, 13.00, 14.00, 15.00, Close. Rows include FT-SE 100, FT-SE 250, FT-SE 500, and various European indices.

Italiano L49 to L2,022 and IMI L373 to L11,236.

FRANKFURT decided that the Bundesbank's inaction on key interest rates gave it room to lower them in future; the Dax index ended at a new all-time high, 9,538 ahead at an all-time high of 2,472.53.

Turnover eased from DM31.4bn to DM11.25bn.

Construction issues climbed for the third day in succession, Hochtief ending DM32 up at DM702 for a rise of 9.3 per cent on the week to date.

Mr Michael Geiger, German strategist at CS First Boston, said that the German programme for capital investment and job creation, announced at the weekend, would be partly construction related; that the sector was depressed, with share prices down 38 per cent in 1995; and that last week's Hochtief progress report had been comforting.

The story that the Transrapid high-speed train project

would be more expensive than planned left Thyssen DM3.05 lower at DM283.55.

PARIS was not excited by the 15 basis-point cut from the Bank of France in its intervention rate and the CAC-40 index added just 3.06 at 2,024.05.

Turnover was FF7.7bn, reflecting heavy foreign interest in the market.

Danone rose FF13 to FF223, recovering from a session's loss of FF402 in reaction to disappointing 1995 results.

MADRID's general index hit a new closing high, up L54 at 8,138, as foreign buying lifted Repsol by Ptas45 to Ptas4,506 for a four-day gain of 7.5 per cent.

The current, and final, privatisation of the Spanish oil major was capped yesterday at 11 per cent of the equity.

Another big winner was Banco Central Hispano, up Ptas125 or 4.8 per cent to Ptas2,725. BCH announced a 62 per cent drop in 1995 profits; but this had been trailed a con-

ple of months ago, said Ms Ann Popelka at James Capel in Madrid, and yesterday's gain looked like a punt on restructuring prospects.

HELSINKI saw considerable buying in the forestry sector as the HEX index rose 1.7 per cent to a four-week high of 1,781.63.

Turnover was FMA4.6m, of which 12 per cent was accounted for by forestry, which saw a sector gain of some 4 per cent. Kymmene put on FMA5.0 at FMA15 and Repola FMA at FMA83.

STOCKHOLM combined a 3.5 per cent forestry sector rally with a continued recovery in Ericsson B, up SKr3.50 at SKr143 following the fourth-quarter tumble in technology stocks worldwide.

The Affensviken index rose 13.7 to 1,778.4.

ZURICH made solid gains on bonds and the dollar, the SMI index adding 31.2 at 3,799.9. In banks, the recently volatile UBS picked up SFr24 to SFr125.

Among issues said to be rising in response to recent recommendations, Alnabuisse put on SFr23 at SFr965 and Nestlé SFr10 at SFr1285.

BRUSSELS finished at a record high, the Bel-20 index breaking through 1,700 to close with a gain of 25.51 or 1.5 per cent at 1,715.74.

One of the day's best rises came from Tessenderlo, the



chemicals company, up BFr25 or 7.8 per cent to BFr12,800.

AMSTERDAM made ground in the last half-hour following a 20 basis-point cut in the special advances rate to 3 per cent. The AEX index rose 0.36 to 508.74, after a day's low of 498.75 on profit-taking.

DSM was one of the day's best performers, rising Ft 3.90 to Ft 144.50, while Akzo slipped 40 cents to Ft 176.70 as institutions switched portfolios.

WARSAW was unable to build on Wednesday's rise when the market hit a 52-week high, and the Wig index dipped 135.8 or 1.3 per cent to 10,277.3.

Turnover dropped 29 per cent to 168m zlotys. Elektrim, the industrial and

trading conglomerate, moved ahead 5 per cent to 14.7 zlotys in heavy turnover ahead of news that a consortium, in which it has a 32.5 per cent stake, had won a GSM cellular telephone licence.

ISTANBUL cleared the 50,000 level as it rose nearly 4 per cent to a six-month peak. The composite index closed 1,947.82 higher at 51,437.32, and turnover was strong at TL18,000bn.

Brokers commented that the market was clearly helped higher by the ending of a potential military conflict between Turkey and Greece on Wednesday.

ATHENS was also firmer as diplomatic tensions with Turkey subsided. The general index rose 4.95 to 994.40 in turnover of DE59.7bn.

Brokers said that lower domestic interest rates and reports that the new government would honour commitments relating to forthcoming privatisations - and public works provided a positive backdrop.

BUDAPEST finished higher for the 14th consecutive session. The BUX index climbed 22.58 to 2,090.62 in turnover up from Ft1.7bn to Ft1.9bn.

Written and edited by William Cochrane, Michael Morgan and John Pitt

ASIA PACIFIC

Overseas demand for cyclical helps Nikkei ahead

Tokyo

Active buying of cyclical by overseas investors countered domestic selling and the Nikkei average gained ground in high volume, writes Emiko Terazono in Tokyo.

The 225 index closed 122.38 higher at 20,935.12, after moving between 20,761.21 and 20,942.69. Share prices were depressed in early trading as domestic institutions continued to take profits ahead of the March book closing, and a decline in futures prices prompted arbitrage linked selling, but active foreign and individual buying lent support.

Volume came to 784m shares, against 731m. Traders said an increasing number of individuals were placing orders for large-capitalisation stocks. "Fresh funds from private investors who are totally new to stock investments are coming in," said Mr Yasuo Ueki at Nikko Securities.

The Topix index of all first section stocks gained 11.41 at 1,624.52 and the Nikkei 300 put on 1.87 at 303.66. Rises outnumbered falls by 736 to 339, with 145 issues unchanged.

In London the ISE/Nikkei 50 index was up 2.24 at 1,420.19.

Overseas investors led the rally, buying large-capital steels and shipbuilders on expectations of an economic recovery. Nippon Steel rose Y2 to Y370 and NKK Y4 to Y306.

Toshiba gained Y7 at Y840 on projections that its recurring profits would rise by 70 per cent during the current business year. The high-technology sector was mixed, however. Sony fell Y80 to Y6,490.

Chemicals rose on recovery hopes, Mitsui Toatsu Chemicals by Y22 to Y455 and Sumitomo Chemical by Y23 to Y543. Car companies were higher on the yen's weakness. Isuzu Motors added Y34 at Y540 and Mazda Motor Y11 at Y470.

Speculative stocks continued to attract international investors. Rhythm Watch led ahead, rising Y38 to Y818 and Isaki, the agricultural machinery maker, fin-

ished Y13 stronger at Y527.

Banks were mixed as investors refrained from trading the sector amid current parliamentary talks over the housing loan bailout. Industrial Bank of Japan improved Y10 to Y2,980 but Bank of Tokyo dipped Y10 to Y1,720.

In Osaka, the OSE average rose 118.49 to 22,450.05 in volume of 289.4m shares.

Roundup

Strong demand by foreign funds and speculative purchases in export-linked stocks and large-capitalised shares powered BOMBAY 2.4 per cent higher, the BSE-30 index breaking through the psychological 3,000 level to end 69.58 up at 3,001.42.

Analysts noted that the weak rupee, which fell to another all-time low against the dollar, losing more than 2 per cent in two days, failed to halt the foreign buying.

HONG KONG picked up after a bout of profit-taking followed the expected cuts in key US interest rates overnight, prompting the local discount window rates to follow suit.

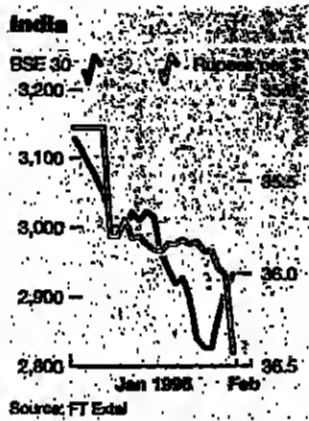
The Hang Seng index edged up 3.10 to 11,362.80, off an intraday low of 11,278.70, in turnover that fell to HK\$7.5bn.

Analysts said that cautious domestic investors took profits on the good news, but more bullish European investors pushed prices back up when they appeared in the afternoon.

Kumagai Gumi rose 50 cents to HK\$7.20 on announcing that it planned to list its China Yangpu infrastructure project on the Hong Kong market.

Brokers said talk of fresh covered warrant issues on Henderson Land and Bank of East Asia helped to hold sentiment back. Both stocks were among the six on which seven warrant issues were launched on Wednesday. Henderson Land slipped 26 cents to HK\$8.50 and Bank of East Asia lost 10 cents at HK\$22.

SINGAPORE was led marginally higher by strong gains in property stocks with large



exposure to the buoyant office sector, and the Straits Times

Industrial index moved up 3.10 to 2,452.25.

Scotts, which resumed trading after a week's suspension, continued to see speculative interest on talk of a takeover. It ended up 5 cents at S\$1.43.

SEOUL moved ahead as institutional buying focused on bank shares and some blue chips, taking the composite index 6.31 higher to 855.13. Analysts noted that rumours that hostile takeovers would be allowed in the banking industry had fuelled buying of bank shares, widely regarded as undervalued.

The banking sub-index gained 3.3 per cent and blue chips, particularly telecommunication shares, also climbed

steadily. Korea Mobile Telecom added Won2,000 at Won666,000 off a record high of Won690,000 reached in the morning.

SYDNEY featured a recovery in WMC, down on Tuesday after a gold mine accident in Western Australia but back up again, 14 cents ahead at A\$8.40 on a nickel price rally in offshore markets on Wednesday.

In the broad market, the All Ordinaries index closed 8.4 easier at 2,265.1, well up from its low for the day.

MANILA yawied at the US rates cut and the composite index rose just 15.07 to 2,900.83 on buying in second liners.

TAIPEI saw institutions related to the ruling Nationalist party supporting the mar-

ket in late trade, and the weighted index closed 11.88 higher at 4,775.28. Winbond Electronics jumped T\$2.50 to T\$7.50 on news of a generous stock dividend, but the scandal hit International Bills Finance (IBF) dropped T\$1.20 to T\$17.70 on a planned capital reduction of 80 per cent in response to its financial difficulties.

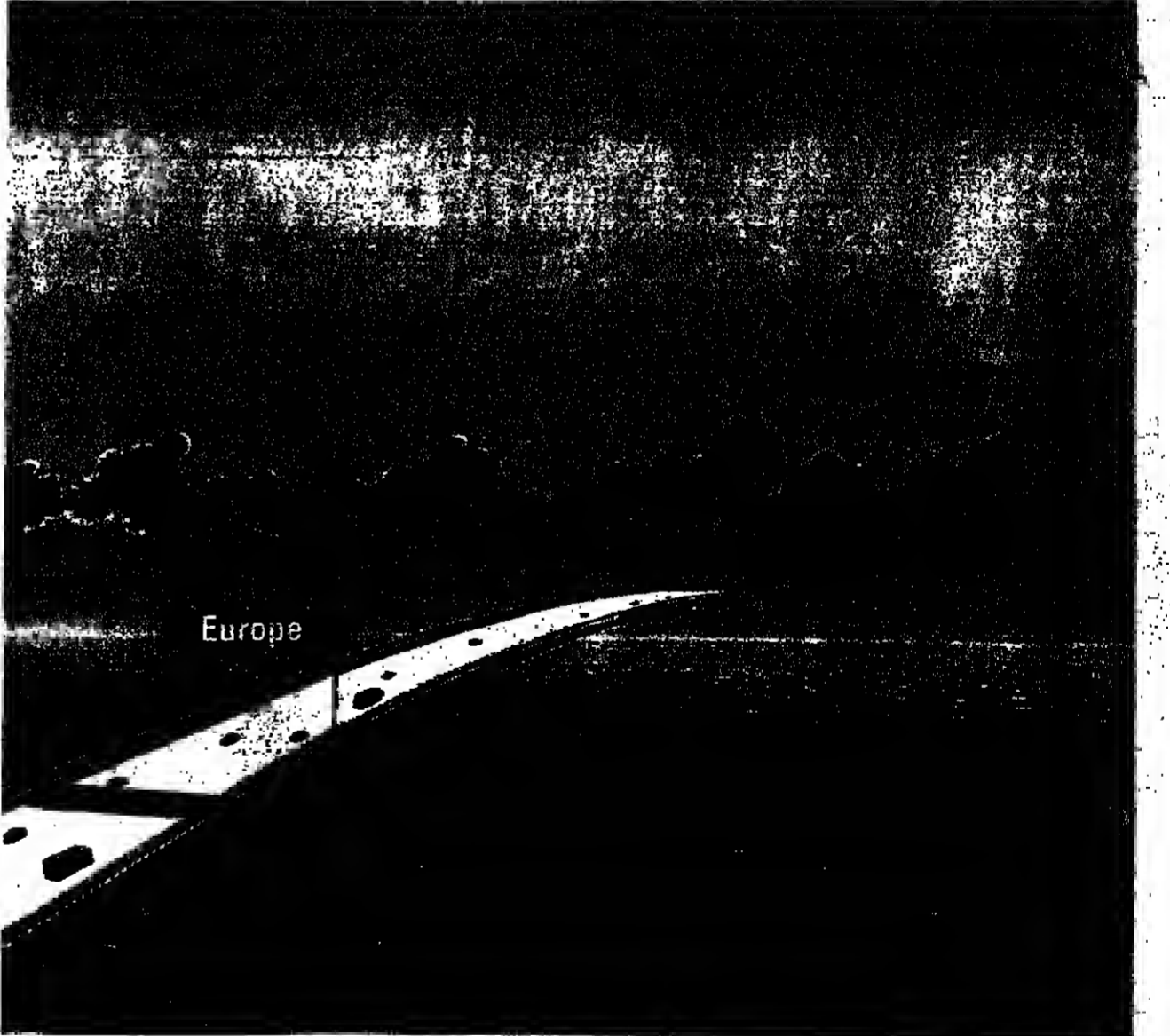
BANGKOK worried over Thailand's rising consumer price index, and the SET index closed 10.73 down at 1,599.60 in turnover of about \$311m. Just before the market closed the Commerce Ministry announced a January inflation rate of 7.4 per cent, year-on-year.

Kuala Lumpur was closed for a holiday.

FT/S&P ACTUARIES WORLD INDICES

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Decisions to locate in region expected soon from Hong Kong and Japanese companies

Wales wins first Korean investment

By Roland Adburgham in Cardiff

The first investment in Wales by a South Korean company is to be announced by the British government on Monday. Halla, a large engineering and heavy industry group, is investing about £17m (£25.7m) in a new plant at Merthyr Tydfil in south Wales. It will create 300 jobs.

and marketing office in Hatfield near London, but the Welsh unit will be its first manufacturing plant in the UK. The unit will be Halla's European base for making construction equipment in a 15,000 sq m factory to be built by the Welsh Development Agency.

The project, which is subsidised by the Welsh Office, was secured after 12 months of negotiation including a mission to South Korea last September by Mr William Hague, chief minister for Wales, and Mr David Rowe-Beddoe, chairman of the development

agency. In all, nine projects in different sectors, and destined for varying parts of Wales, are in the final stages of negotiation with the British government and the agency. Six are by non-UK companies.

The biggest single project is by QPL, the Hong Kong electronics group. Negotiations have been taking place for several months for a microchip plant in South Wales which would create 750 jobs in an investment of about £50m. An announcement is expected by the end of this month. QPL has two existing

UK NEWS DIGEST

Lords attack British Council cuts

Government plans to cut spending on the British Council were denounced in the House of Lords, the upper house of parliament. Lord Redesdale, one of more than a dozen peers who spoke in defence of the agency that promotes British culture, said the cuts could mean the shedding of 500 jobs or nearly half the council's UK staff.

north-east England. About 300 construction jobs will be secured as a result of the expansion. The terminal is at the shore end of the 360km central area transmission system, a pipeline which collects gas and natural gas liquids from a number of North Sea fields. About a fifth of the UK total gas production will soon flow through Cats.

DuPont aims to open Scottish plant next year

DuPont, the US chemical company, plans to build a plant in Scotland to manufacture photomasks for use in making microchips. The 1,000 sq m plant will be at Hamilton near Glasgow and will initially employ 25 people, rising later to 80. It should open next year. The plant is intended to serve the many semiconductor makers with plants in the UK and Republic of Ireland. It will be the company's third photomask facility in Europe and may also serve customers in mainland Europe.

Manufacturers turn to temporary workers

By Peter Marsh in London



From shampoo to bicycles and from chocolates to computers, manufacturers are turning increasingly to temporary workers as part of their moves to more flexible working methods. The number of temporary manufacturing workers has almost doubled in the past five years in proportion to the whole manufacturing workforce. This switch has been much more marked in manufacturing than in other sectors. Across the entire economy, temporary employees increased by 350,000, or 30.2 per cent, between 1990 and 1995 according to the Central Statistical Office.

suffer if pay rates and training are cut too much. One of the workers employed by Manpower is Mr Gerard O'Reilly, who lives in London and has had about 10 mainly industrial jobs in the past two years. "In some ways the variation is good, though I would like more stability," he said. At Design to Distribution (D2D), a manufacturing arm of ICL, the computer maker, total employment has grown to 2,500 in the past five years from 1,800. However, of the extra 700 new jobs, 500 are for temporary workers. Mr Alastair Kelly, managing director of D2D, said: "Partly because of the use of temporary workers we can be making products between a week and three months of receiving a design - compared with up to five years in 1990."

	1990	1995	Change 90-95
Manufacturing			
Temporary	120,000(2.4%)	201,000(4.4%)	+81,000(+67.5%)
Total	5,127m	4,537m	-590,000(-11.5%)
Other sectors*			
Temporary	1.04m(8%)	1.31m(7.8%)	+270,000(+26%)
Total	17.27m	17.14m	-130,000(-0.8%)
Whole economy			
Temporary	1.18m(5.2%)	1.51m(7%)	+330,000(+30.2%)
Total	22.55m	21.67m	-720,000(-3.2%)

by full-time workers. Overall, employment at the plant has increased by 50 per cent so far in the 1990s. Flexible working to fit in with fluctuations in demand is one of the "key reasons" why the Raleigh bicycle factory in the Midlands city of Nottingham is now profitable after heavy losses in the 1980s, said Mr Alan Flinden-Crofts, the chief executive of Derby International, Raleigh's owner. At the Nottingham plant between 250 and 350 temporary workers are employed alongside a "core" workforce of about 1,000. Use of temporary staff goes up just before Christmas when the factory has to turn out 30,000 bikes a week. The strategy means the time taken for the company to build a bike has halved in the past five years to within six weeks of a customer order. As a result the company carries about half the stock it used to. At Bendicks of Mayfair, a maker of upmarket chocolates

owned by Storck, a German company, two-thirds of the demand comes in the Christmas season. With a switch in employment policies over the past five years, the company now has 100 full-time staff at its factory at Winchester in southern England, 60 fewer than in 1990. But it also employs at least 100 short-term workers on temporary contracts, a figure that leaps to 300 just before Christmas. Mr Robert White, operations director for Bendicks, said that the change was a big factor in the doubling of plant output since 1990. One of the biggest users of short-term workers in UK manufacturing is Xyratex, a maker of computer disc drives based in Havant on the south coast of England. The company employs about 2,000 people - with about half on contracts of between two months and a year. Xyratex juggles employment numbers to match demand

from its customers - mainly computer makers and other disc drive companies - which commonly require a 48 hour delivery time. "We would be unable to compete if we kept all our people on full-time contracts," said Mr Steve Barber, the manufacturing director. At the Black & Decker factory in Spennyvaor, northern England, the company has about 1,600 core workers producing power tools and garden products. The numbers are supplemented by 400 temporary staff early in the year. A big ice cream factory at Gloucester in western England takes on seasonal workers depending on fluctuations in temperatures - which can trigger sudden demand changes. The factory, run by Birds Eye Walls, part of Unilever, increased its short-term workforce to 150 last summer, up from a peak of about 100 in previous years.

ICI to expand output of film for packaging

ICI, the UK chemicals group, is to expand production at Dumfries, Scotland, of Melinex polyester film. The expansion will feed a European market for multi-coloured, metallised film packaging for food that has been growing at more than 8 per cent a year for the past decade. It will cost £60m (£91m), create 30 jobs and lift ICI's global Melinex capacity by 20,000 tonnes to about 125,000 tonnes. The advantage of polyester film over its fore-runners, such as the polypropylene film used for cigarette packets, is that it can be coated. This has provided a new market for phone cards, motor insulation and touch sensitive switches in electronic equipment. ICI has built up sales of £350m in this market, which has a market share of 22 per cent. Competitors include Hoechst of Germany, DuPont of the USA and Rhône Poulenc of France. ICI also has a 7,500 tonne Melinex plant in Japan, and a 50,000 tonne plant in Hopewell, USA.

Amoco-led consortium to enlarge gas terminal

A consortium led by Amoco, the US oil company, is to spend £70m (£106m) on expanding the Cats natural gas terminal at Seal Sands in

Saudi dissident's delay request is rejected

Mr Mohammed al Massari, the Saudi dissident who was ordered out of Britain last month, failed yesterday in an attempt to secure more time to prepare his appeal. The Immigration Appellate Authority at Wood Green in north London rejected a request for an extra month to prepare the case and confirmed that a full hearing would take place on February 22. Mr Massari's lawyers had said more time was needed to ascertain whether the Caribbean island of Dominica, which has agreed to accept him, really could guarantee his safety from retaliation by the Saudi regime. The British government has accused Mr Massari of abusing its hospitality by establishing an organisation which accuses the Saudi royal family of corruption.

Protesters commemorated: More than 200 animal rights protesters gathered at Coventry airport in the English Midlands to commemorate Jill Phipps, who died a year ago after falling underneath a lorry carrying live calves. She died as a small group of protesters tried to stop trucks reaching the airport with live calves destined for shipment to mainland Europe. Export traders are regularly pursued by demonstrators who claim that the animals are treated cruelly after they leave Britain. "Jill would have continued opposing this trade throughout her life," her brother Zab said at yesterday's ceremony. "We all must and will continue the fight until it is finished."

Shoplifter barred: A thief was barred by a court from all stores owned by Tesco, one of the biggest chains in Britain. Mr Jim Heritage, unemployed since 1980, once stole 189 bottles of whisky and other spirits in several visits to the same Tesco store. Mr Heritage, who has been prosecuted a total of 40 times for stealing from various stores, said: "Boredom starts it off but then adrenalin keeps me going; adrenalin is the worst drug in the world."

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Musical/Alastair Macaulay

Cheap and cheerless

At one point in Act Two of the new musical *The Fields of Ambrosia*, the hero Jonas bumps into his wimpish chum Jimmy, who is looking sore and lachrymose, and asks him what's the matter. Jimmy replies, of course, by singing, and his opening words are "If it ain't one thing, it's another."

As it happens, we know why Jimmy is upset. He has just been the victim of homosexual rape at knifepoint by two vicious prisoners in Jonas's truck. "If it ain't one thing, it's another" is, you may well think, an almost commendably stoic response to this presumably traumatic experience. But no, Jimmy is actually reacting to his entire life! Here comes the rhyme: "... I was just ten when I lost my mother."

At this point, I confess that my concentration broke for a little while. As soon as I could bring myself to attend again to poor Jimmy, he was singing "They never once held me, or called me their own alone". I have a horrible feeling he may have been referring to the gent who raped him. Anyway, Jimmy's point is that everyone has always been rotten to him. He is a real sob-sister. "Alone! Alone!" he sings, and the strings come in and the percussion helps him to pump up a climax, reaching a high A: "Alone!"

Now, this claim to loneliness is ingratitude to Jimmy - for in Act One we saw Jonas treat him to a lively if gruesome session in what I hope was the most little whorehouse in Texas (or Mississippi, or Louisiana, or wherever they were). It is true that Jimmy did not enjoy himself there, but nobody can say one whose didn't try to rectify that situation.

Anyway, Jonas is not the kind of guy to hold a grudge. He offers Jimmy a job as his assistant. Assistant to the one and only travelling executioner in the state! Jimmy cannot believe his luck - though within moments he is negotiating to have his name painted on the truck. You and I might not wish to have our names painted on the truck where we had been raped by two knife-wielding prisoners of our own gender; but then you and I are not characters in *The Fields of Ambrosia*.

Since this show - which comes to the West End from a triumphant run in New Jersey - is a rock musical, you will hardly be surprised to hear that it is terrible. Truly it bears

itself like a sitting duck waiting to be shot at; but one hardly wants to blame this particular show - one wants to blame the genre. Excellence in rock musicals is rare to the point of being inappropriate. Banality is the norm: banality of rhythm, rhyme, feeling, characterisation, story.

The real key, of course, is rhythm. Musicals were essentially a creation of the jazz age. They drew from ragtime, from operetta, from vaudeville; but it was jazz, and then swing, that made the form take wing with Irving Berlin, the Gershwins, and others. Syncopation, and rhythmic surprise, produced a witty and fresh expression of the human spirit. The monolithic nature of the rock beat does the opposite: it confers predictability and staleness upon its characters. The rock in *The Fields of Ambrosia* is especially stale; and yet the music is by no means the worst thing about it. This show is (1) silly, (2) dull, (3) cheap-minded.

1. *Silly*. Jonas Candide is a travelling executioner, in the early years of this century. The truck that proves so fatal for poor Jimmy contains Jonas's very own electric chair. As a *noir* idea, this is no worse than, say, *Sweeney Todd*. But Jonas is an unamusing con-man who makes one blunder after another, until he ends up in his own electric chair. One of his ghastly blunders is the title song, which he delivers to his victims, inviting them to look forward to heaven after death: "The fields of Ambrosia/Where everyone knows ya." Needless to say, he leads the whole company in a surging reprise of this ludicrous number as he sits strapped in and waiting for the electric blast. The voice of his dead jailbird girlfriend Gretchen, whom he shot by accident when she was encouraging him to shoot his friend the prison guard, is heard adding a soprano descent line to this ensemble.

2. *Dull*. Least any connoisseurs of kitsch hope that *The Fields of Ambrosia* might be worthy of cult attention, I hasten to assure them that most of it is exceptionally boring. It is all-sung, and virtually every section gets locked into a rhythmic and melodic straitjacket. The rhymes are often desperate and inept. Each song sounds like something you forgot the moment you heard it on the car radio five years ago. The use of the revolving stage almost makes me miss *Les Mis*.

3. *Cheap-minded*. This show is the



Sitting duck: Christine Andreas as Gretchen in *The Fields of Ambrosia*

brainchild of Martin Sylvester, who wrote the music, and Joel Higgins, who not only wrote its book and lyrics but also plays Jonas. They adapted it from a 1970 Hollywood film version of the tale of Jimmy Thompson, who really was the sole travelling executioner in the state of Mississippi, early in this century. In their version, there is not one large-spirited or decent character or moment. It tries one cynical ploy after

another. The warehouse scene: the male prisoners to come up and join him on the scaffold beside the noose: we are left to imagine what they will get up to.

At every moment, *The Fields of Ambrosia* tries to titillate you with the sins it also tries to condemn. Perhaps fortunately, it is too maladroit to succeed.

Aldwych Theatre, London WC2 (0171-379 3367).

Sponsorship/Antony Thorncroft

Shake up for pairing scheme

All heritage ministers wax lyrical about arts sponsorship, and the latest incumbent, Virginia Bottomley, has been keen to express her admiration of this source of funding for the arts, which has grown from under £1m to over £80m a year in two decades.

But Bottomley has been forced to turn admiration into action. In the Budget she cut the government finance for the pairing scheme - the subsidised sprat to catch the corporate mackerel - from £5.5m to £5m for 1996-97, to the dismay of the Association for Business Sponsorship of the Arts, which runs the scheme.

This week Bottomley made amends. She has given the pairing scheme a radical shake up, which should encourage more business sponsors to commit themselves to helping arts companies for longer. The maximum award under the scheme is up from £35,000 to £75,000, and any new sponsor who commits for three years, or encourages access to the arts, can see its contribution doubled every year.

The aim is to stamp out short-termism: sponsors trying to get a quick return. But perhaps the most significant change is the scrapping of limits on the number of sponsorships an arts company can submit to the pairing scheme. It was pegged to four a year, which meant that big players, like the Royal Academy, might turn down an approach from a small sponsor in the hope of attracting a bigger supporter and securing a larger grant under the pairing scheme. Now there is no limit to the number of awards an arts company can receive.

Next week sees the start of the most ambitious art exhibition in the UK this year, *Cézanne* at the Tate Gallery. A record 22,000 tickets have already been sold and the merchandising spin-offs extend far beyond the vases, scarves, tea towels and CD-ROMs in the Tate Gallery shop, to a "Cézannewich" on offer at the London branches of Pret a Manger and a specially bottled "Cuvée Cézanne" at the Tate wine bar.

The most interested outsider in this art spectacle is Ernst & Young. The partnership of consultants is sponsoring the show, and all told the venture will cost it over £1m. Only around half this sum goes to underwrite the extra administrative costs of the Tate. Ernst & Young's main expenditure will be on entertainment and promotion.

It will host over 40 dinners and receptions at the exhibition, entertaining around 7,000 clients and prospective clients. It will provide free tickets for its staff and advertise the show and its connection with it.

This is not a speculative venture. Two years ago Ernst & Young surprised itself by spending almost as much on sponsoring the Picasso exhibition at the Tate. It was very happy with the good-will it generated and the push it gave to its brand image. It is confident that the link brought it extra business from new clients. Ernst & Young is already talking about its next major sponsorship.

The theatre is all the rage

among sponsors this month. Mercury Communications has come to the rescue of the Donmar Warehouse, contributing £450,000 over three years, while AT & T is backing new plays, and Guinness has scored a hit with its cultivation of pub theatre.

The Donmar faced closure in March at the end of Carlton TV's three year, £315,000, backing. The theatre is so small it cannot survive on box-office income alone. Mercury will, in effect, bridge the revenue gap. The good news for the Donmar is that this substantial support comes on top of a one-off £150,000 grant from the Arts Council - and a decision by Carlton to maintain contact, sponsoring a New Writing Season every March. Best news of all is that financial security means that director Sam Mendes is likely to remain in post for the next three years.

AT & T is an American company that backs the arts through a foundation, which was financed by the sale of its Broadway HQ. The company is in the process of splitting itself into three autonomous companies, but the foundation, named after its founder, remains. Best news of all is that financial security means that director Sam Mendes is likely to remain in post for the next three years.

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For Guinness, hacking pub-theatre puts audiences directly into contact with its product. Its "Ingenuity Awards for London Pub Theatre" attracted 42 entries with ideas for new productions. The judges were so impressed that they handed over seven £10,000 prizes instead of the anticipated five. Next year Guinness will make the competition nationwide.

Sponsors are attempting to underwrite their support for classical music beyond the routine subsidising of concerts. Amerada Hess, a long time supporter of Sinfonia 21, has commissioned a new work from Jonathan Harvey which the chamber orchestra will perform at St John's Basilica Square on February 8. The commission, with extra rehearsal time, will cost it around £7,000.

Meanwhile Générale des Eaux has sponsored the CD by the London Mozart Players which was attached to this month's issue of BBC Music Magazine. It is quite a coup to get the magazine to accept non-BBC, or "Prom", performances for its CD but the French utilities company put £15,000 towards the recording costs, and apart from Mozart, the CD includes the first current recording of Friedrich Witt's "Jena Symphony".

Recital/John Allison

Lieder gets swamped

The baritone Thomas Quasthoff, already an established Lieder and oratorio singer on the continent, made his London debut on Wednesday in a packed Wigmore Hall. He sang Schubert, Strauss and Wolf, bringing an intensity to the poetry with the natural ease of a native German speaker; but, perhaps because he and his pianist, Charles Spencer, agreed to give two musicians each giving their own performance, this was not Lieder singing of the order one had anticipated.

Quasthoff's voice is not especially beautiful - the tone is a little grey and unvarying - but it has a soft-grained quality well suited to Lieder and a lower register of striking resonance. He projects it with a well-defined crispness that in *forte* passages takes on an almost sculpted edge. What he does with the voice is more

interesting, as his opening series of Goethe settings proved when he followed Schubert right into the pantheism of "Ganyamed", the intellectual mysteries of "Grenzzen der Menschheit" and the fierce majesty of "Prometheus".

The remaining Schubert songs were less consistent. Quasthoff caught the gloom of "Der Zwerg" and - in one of the evening's best performances - the desolation of "Der Wanderer". He also evoked the stillness of "Nacht und Träume" in long-spun lines and some of the impatience of "Der Musensohn". But he summoned up none of the chill that should send a shudder through the listener in "Erlkönig". Spencer's heavy-handed accompaniment here was little help, and his mannered rubato in "Die Forelle" were a distracting intrusion; indeed, the erratic progress of the trout was of such zoological curiosity that one forgot about the vocal line.

Hope that matters would improve after interval was immediately dispelled by Spencer's deliberate playing in "Zueignung". Of the other three Strauss songs, "Morgen" was a particularly disappointing work with very slow tempos destroying the poem's confident longing. Three of Wolf's Morike settings brought no respite: "Geber" sounded like a dirge, and neither artist conveyed the pleading of "Der Gesessene an die Hofnung" or the comedy at the end of "Storchenschnabel" where the music breaks into a quirky waltz. One looks forward to hearing Quasthoff again under better conditions - but still at the Wigmore Hall, which occupies an even more special place in London's musical life now that its programmes are the first to carry a notice banning mobile phones.

Jazz/Garry Booth

Mike Gibbs goes classical

Try to locate Mike Gibbs' area of music and you find yourself in the "third stream": neither classical nor jazz; the man is as hard to pin down as his music. He grew up in pre-independence Zimbabwe, studied jazz at the Berklee School of Music, diverted into classical music at the Boston Conservatory and studied alongside Aaron Copland and Iannis Xenakis at Tanglewood. Then he moved to England and became a key mover in the European jazz scene.

Since those early days, he and his music have been pulled back and forth across the Atlantic by projects which variously incorporate rock, folk and symphonic work using jazz instrumentation and musicians. Gibbs' last recording, for example, had him conducting the Hannover Radio Philharmonic, plus jazz soloists, on a tour of European folk songs.

This outing, courtesy of the Arts Council's Contemporary Music Network, sees Gibbs in front of the UK's Creative Jazz Orchestra, performing his rearrangements of works by young British composer Mark-Anthony Turnage and the late US modernist, Charles Ives. And they all suit one another.

In Ives, Gibbs finds a natural sympathy for music which incorporates perplexing mood swings and crazed references. At the South Bank on Wednesday the CJO tore into "Barn Dance" like a circus band - before braking gently to a New Orleans slow drag which featured a ghostly clarinet calling from the middle distance. "Evening" - a robust nocturne, surged darkly: the lower brass brooding, Mike Walker's electric guitar solo heading into metal territory.

Turnage's work draws heavily on jazz influences, from the airy structures of Gil Evans to the fevered drama of Mingus. By stripping away the strings, inserting spaces for improvisation, but remaining more or less faithful to the charts, Gibbs has produced an exciting new take on Turnage's best known works. His orchestration of "Her Anxiety", with its bright brass textures and repeated motif, was supercharged with nervous energy. In "Release" Gibbs used Turnage's stalking horn arrangement as a setting for keening soprano and alto sax improvisation. By contrast, "Sarabande" unfolded as a poignant duet between soprano (Andy Schofield) and piano (Nicki Lee), punctuated by each ping-ponging a small bell.

Invigorating and full of surprises, Gibbs' taste and gift for bold arrangement shows that hard-to-classify music need not be hard to enjoy.

the male prisoners to come up and join him on the scaffold beside the noose: we are left to imagine what they will get up to. At every moment, *The Fields of Ambrosia* tries to titillate you with the sins it also tries to condemn. Perhaps fortunately, it is too maladroit to succeed.

Aldwych Theatre, London WC2 (0171-379 3367).

INTERNATIONAL ARTS GUIDE

- AMSTERDAM**
 - CONCERT Concertgebouw Tel: 31-20-573053
 - Pter Wispelwey: the cellist performs cello suites by J.S. Bach; 2:15pm; Feb 4
- BERLIN**
 - CONCERT Konzerthaus Tel: 49-30-203092100/01
 - Concerto Köln: and viola-player Antje Sabinski perform works by W.A. Mozart, Mendelssohn, Zelter and L. Mozart; 7:30pm; Feb 6
 - DANCE Komische Oper Tel: 49-30-202600
 - Requiem: a choreography by Birgit Scherzer to music by Mozart, performed by the Ballett Komische Oper. Soloists include Jutta Deutschland and Thomas Vollmer; 8pm; Feb 7
- BOSTON**
 - CONCERT New England Conservatory -

- Jordan Hall Tel: 1-617-262-1120
- NEC Philharmonic: with conductors Richard Hoenrich and Mei-Ann Chen, and soloist Jung-Mil Kim perform De Falla's El Sombrero de Tres Picos and Sibelius' Violin Concerto; 8pm; Feb 7
- CHICAGO**
 - THEATRE Shubert Theater Tel: 1-312-877-1700
 - A Midsummer Night's Dream: by Shakespeare. Directed by Adrian Noble and performed by the Royal Shakespeare Company. The 19-member cast will be led by Desmond Barrit as Nick Bottom, Lindsay Duncan as Hippolyta/Titania, and Alex Jennings as Theseus/Oberon; Tue - Thu 7.30pm, Fri, Sat 8pm, Sun Feb 11: 7pm, Sun Feb 18: 3pm, Feb 8, 10, 11, 14, 17 also 2pm; from Feb 7 to Feb 18 (not Mon)
- COLOGNE**
 - CONCERT Kölner Philharmonie Tel: 49-221-2040820
 - Deutsche Kammerphilharmonie Bremen: with conductor Thomas Hengelbrock and oboist Rodrigo Blumenstock perform works by Mozart, Chen and R. Schumann; 8pm; Feb 4
- COPENHAGEN**
 - OPERA Det Kongelige Teater Tel: 45-33 14 10 02
 - Saul and David: by Nielsen. Conducted by Poul Joergensen and performed by the Royal Danish

- Opera. Soloists include Aage Haugland, Kurt West, Poul Elming, Anne Mari Heimdal (Feb 4, 5) and Majken Bljemo (Feb 6); 8pm; Feb 4 (3pm), 5, 9
- FRANKFURT**
 - CONCERT Jahrhunderthalle Hoechst Tel: 49-69-3801240
 - Orchestre National du Capitole de Toulouse: with conductor Michel Plasson and viola-player Yuri Bashmet perform Berlioz's Harold en Italie and Mendelssohn's Symphony No.4; 8pm; Feb 5
- HANOVER**
 - THEATRE Niedersächsische Schauspielhaus Tel: 49-511-321133
 - Mordlust: by Wilfried Happel. Directed by Jochen Höfster and performed by the Niedersächsische Staatstheater Hanover. The cast includes Sibylla Brunner, Caroline Nagel, Verena Reichardt, Ingrid Müller Beck, Alfred Eich, Markus Graf and Otto Schnelling; 8pm; Feb 3
- HUMLEBAEK**
 - EXHIBITION Louisiana Museum of Modern Art Tel: 45-42 19 07 19
 - Design and Identity - Aspects of European Design: this exhibition, the Louisiana's first contribution to the Cultural Capital 96-project in Copenhagen, aims to examine whether there is a special cultural identity within European design. Alessandro Mendini (Italy), Ron Arad (England), Roger Tallon (France),

- Volker Albus and Ingo Maurer (Germany) will, among others, participate in the exhibition; from Feb 9 to Apr 28
- LAUSANNE**
 - CONCERT Salle du Métropole Tel: 41-21-3122707
 - Orchestre de Chambre de Lausanne: with conductor Maximiano Valdes and violinist Yumino Toyoda perform works by Ariaga, Mozart, Schubert and Turina; 11.15am; Feb 4
- LONDON**
 - AUCTION Christie's South Kensington Tel: 44-171-5817611
 - Valantines: annual sale devoted to the festivities of Saint Valentine. Highlights include pop-up cards from the 1920's and an early 19th century handmade card; 2pm; Feb 7
 - CONCERT St John's, Smith Square Tel: 44-171-2221061
 - György Pauk, Peter Frank and Ralph Krühbaum: performance by the violinist, pianist and cellist. Including Mozart's Piano Trio in G major KV548; 1pm; Feb 5
- LOS ANGELES**
 - EXHIBITION MOCA at California Plaza Tel: 1-213-621-2768
 - Franklin D. Israel: exhibition presenting the work of this Los Angeles architect. Israel has created an architecture itself within the museum that constitutes a framework for the presentation of

- selected design projects and images of his work; from Feb 4 to May 26
- LUXEMBOURG**
 - CONCERT Théâtre Municipal Tel: 352-470895
 - Royal Philharmonic Orchestra: with conductor Dirk Joeres perform Gade's Overture Op.1, R. Schumann's Symphony No.2 and Brahms' Symphony No.4; 8pm; Feb 4
- MILAN**
 - OPERA Teatro alla Scala di Milano Tel: 39-2-72003744
 - The Gambler: by Prokofiev. Conducted by Valery Gergiev and performed by the Opera Teatro alla Scala. Soloists include Sergej Alexaskin, Vladimir Galouzine, Ljuba Kazarmovskaia and Marianna Tarrasova; 8pm; Feb 8, 8
- MUNICH**
 - CONCERT Philharmonie im Gasteig Tel: 49-89-48088506
 - Orchestre National du Capitole de Toulouse: with conductor Michel Plasson and viola-player Yuri Bashmet perform works by Berlioz and Dvorak; 8pm; Feb 4
- NEW YORK**
 - EXHIBITION MOMA - Museum of Modern Art, New York Tel: 1-212-708-9400
 - Lilly Reich - Designer and Architect: the first exhibition devoted to

- to this modernist German designer of the 1920s and 1930s; from Feb 8 to May 7
- OPERA**
 - Metropolitan Opera House Tel: 1-212-362-6000
 - Turandot: by Puccini. Conducted by Nello Santi and performed by the Metropolitan Opera. Soloists include Ruth Falcon, Angela Gheorghiu, Michael Sylvester and Hao Jiang Tian; 8pm; Feb 5, 9
- PARIS**
 - CONCERT Salle Pleyel Tel: 33-1 45 81 53 00
 - Orchestre des Concerts Lamoureux: with conductor Avi Osetrowsky and cellist Lilius Claret perform R. Strauss' Don Quixote and excerpts from Wagner's operas Loge and Siegfried; 5.45pm; Feb 4
- VIENNA**
 - CONCERT Konzerthaus Tel: 43-1-7121211
 - Jean Guillou: the organist performs works by Liszt, Mussorgsky and Guillou; 11am; Feb 4
- WASHINGTON**
 - EXHIBITION National Gallery of Art Tel: 1-202-7374215
 - The Art of Louis-Léopold Boilly: Modern Life in Napoleonic France: exhibition devoted to Louis-Léopold Boilly (1761-1845), the leading genre painter and one of the most prolific portraitists in France during the revolutionary and Napoleonic periods; from Feb 4 to Apr 28

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Philip Stephens

Seductive words

Tony Blair's vision of constitutional reform is long on principle and short on detail. It is time he made a serious commitment to change

An overhaul of Britain's creaking constitution is the most radical promise of Tony Blair's Labour party. It is the route by which a Blair-led government might transform the condition of society and politics. It comes, seductively, without a public spending price tag. Yet constitutional reform is also the least prepared and, ultimately, the most dangerous of his projects. Its potential to capture the imagination of the electorate is matched only by its capacity to wreck the wider ambitions of its sponsor.

Mr Blair is less than modest in his claims for Labour's prospects. Listen to his words during his first conference speech as leader in October 1994. "We have to change the rules of government and we will. We are putting forward the biggest programme of change to democracy ever proposed by a political party." Then more recently: "We must reinvent government to reform Britain. Political renewal is an essential part of the economic and social renewal we all seek." Bold words.

The policy pledges too are there. Labour would establish a parliament in Scotland and an assembly in Wales. It would respond to genuine pressure for regional government in England and, as a starting point, re-establish a strategic authority for London. It would reinvent local government (though just how is rather vague). It would incorporate into British law the European Convention on Human Rights. It would rid the House of Lords of hereditary peers. It would promulgate a Freedom of Information Act. Finally, it would offer a referendum on the voting system for the House of Commons. Big promises.

But the words and the promises lack a certain conviction. For many in Mr Blair's party, constitutional reform is at best an afterthought, at worst a distraction from the important business

of wielding power. Thus for one senior colleague, the pledges serve no purpose other than to appease the Scots and to win some points among the liberal intelligentsia. An incoming Labour government, this enlightened politician explained, should simply ram any constitutional legislation through parliament in its first year and then turn its mind to the real world.

Mr Blair cannot escape blame for such depressing ignorance of the purpose of constitutional change. Leafing through the dozens of speeches he has made during the past 18 months, I could find only one devoted exclusively to the sad health of British democracy. It was given in July 1994, before he became leader.

Since then entire forests have been cut down to explain Mr Blair's new economics and his commitment to high standards in education. But not a single sapling has been sacrificed to a careful exposition of the detail, as opposed to the principle, of his plan to tamper with Britain's unwritten constitution.

His reticence is explicable. History tells us that any move to alter the balance of political power is a hazardous enterprise. From Gladstone's struggle over Irish home rule to the battles over reform of the House of Lords and Scottish

For many in Mr Blair's party, constitutional reform is at best an afterthought, at worst a distraction from the important business of wielding power

and Welsh devolution in the 1960s and 1970s, governments have foundered in the attempt.

The forces for the status quo range across the political divide. Confronted with Mr Blair's promise to disperse power from the centre of government, Whitehall's mandarins respond with a nod, a wink and a quiet assurance that, once in No 10, Mr Blair would soon drop "all that nonsense". Granted access to the closed world of power, he would realise it was not to be shared with the "ignorant multitude" who so troubled the Victorian constitutionalist Walter Bagehot.

Such arrogance, of course, speaks eloquently to the case for radical change. There is no need to dwell at great length here on the long process which has systematically undermined the rights and influence of the citizen. Suffice to say that power is more centralised in Britain than in any comparable advanced democracy. Parliamentary sovereignty, deemed by Bagehot to be the "efficient secret" of the constitution, has been replaced by executive despotism. Save when the judges intervene to cut down Michael Howard, the checks and balances taken for granted in other democratic societies are entirely absent.

Local government has been robbed of purpose and money. Between a fifth and a quarter of all public spending has been placed in the hands of the political placemen and women who run the new Quangos. True to the democratic centralist principles of the old Soviet Union, the quangos deny the citizen even the most basic rights of information, accountability and redress. Whitehall and its agents always know best.

This concentration of political power at the centre is as corrosive of good political decision-making as monopolistic commercial interests are of efficient markets. But the mandarins are right in the

judgment that the successful dispersal of power will require a commitment far beyond anything Mr Blair has yet offered. Each change to the constitution promises an exhausting battle at Westminster. Together they could consume most of the legislative timetable for the first two or three years of a Labour government. Each proposal also throws up nasty political choices.

Take devolution. Labour's Scottish MPs will be obliged to admit at some stage that a parliament in Edinburgh must win the consent of the English. The price is almost certain to be a reduction in the number of Scottish MPs at Westminster. But Mr Blair has not dared even to whisper that possibility. Turn to the House of Lords. Labour is pledged to remove the voting rights of hereditary peers. A sensible first step. But of itself, it would do little more than turn the second chamber into the most prestigious quango of them all.

The potential mood for change stretches well beyond the Hampstead intellectuals so disparaged by defenders of the status quo. Witness the unprecedented popular cynicism about the capacity of politics to respond to the preoccupations of the electorate. But after 300 years, the present constitution is easily wrapped in the beguiling romanticism of the Union flag.

To be serious and successful Mr Blair must demonstrate an absolute, unbending, commitment to the process of reform. He must pull together a series of piecemeal changes into a coherent vision for a more open and democratic society. Above all, he must demonstrate that behind the rhetoric lies a credible plan for implementation - one which will engage and win the consent of voters well beyond his own party. Mr Blair will return to the subject next week in a speech promoting political reform as pivotal to the creation of a "stakeholder society". Warm words will not do.

Essential to widen area of stability in Europe

From Mr Stephen Woodard.
Sir, Martin Wolf's attempt ("No clarity of purpose", January 30) to undermine the argument that peace, prosperity and power are the main reasons to support the European Union is deeply flawed.

In the late 1920s the countries of western Europe were enjoying increasing economic prosperity and their new political institutions seemed to have weathered the crises of the early 1930s. But in the wake of economic crisis exacerbated by a recourse to protectionist measures, these democracies fell and war ultimately ensued. Because we take peace in western Europe for granted it is too easy to

underestimate the contribution of the European Union. Its purpose is to ensure that reconstruction can endure within a stable political and economic framework based on the rule of law that is able to withstand economic shocks. It is essential that this area of stability be added to the wider Europe of the post-cold war world rather than abolished.

The contribution of the European Union to its peoples' prosperity is enormous. Without the strength of its common institutions it would be easy to imagine its member states' governments falling into the hands of predatory vested economic interests and resorting to protectionism leading to increasing poverty.

The current institutions prevent this. They also enable action to be taken to address environmental and other problems. On the international stage we need to remember that, however desirable free trade may be, the reality is that international trade is managed, albeit through such bodies as the World Trade Organisation. To ensure that European companies can have increasing access to overseas markets, the commercial clout of the Union is invaluable.

The necessary development of the collective power of the EU's member states in international politics should not be dismissed. The idea that we in Europe can selfishly continue to expect the US to

pay for our security and look after our interests in the post-cold war era is at best foolish and at worst dangerous. We must share the burden within Nato more fairly.

Across Europe opinion polls show that the public understands and supports the overall concept of unity. The European Union is not perfect and needs reform. But it is folly to suggest that a return to division and anarchy is preferable to building a wider, democratic European Union.

Stephen Woodard, national director, European Movement - United Kingdom, 13 Tufton Street, London SW1P 3QB, UK

Regulation must allow competition

From Mr Tony Young.
Sir, Emma Tucker is right to highlight the need for fair competition and effective regulation if the European telecommunications industry is to be liberalised ("Plug for a regulation standard", January 29). However, the British regulatory model cannot be seen as a paragon to be imitated slavishly in the other EU member states.

In recent weeks BT's share price has been as low as 341p compared to the 410p at which the government sold its remaining shares in 1992. Mercury and its former Cable and Wireless, are both undergoing a strategic crisis; and all three UK-listed cable operators are trading well below their issue price.

European regulators need to prevent the abuse of monopoly power, but BT is no longer a monopoly. Unless it is allowed to achieve a reasonable level of profitability, there will be little room in the market for competitors and a reluctance to invest in a high-risk marketplace.

Tony Young, joint general secretary, Communication Workers Union, Greystoke House, 150 Brunswick Road, London W5 1AW, UK

Extraordinarily indulgent German groom

From Mr Peter D. Higgins.
Sir, While the charming fairy tale about the German groom and French bride related by David Marsh (Letters, January 30) is amusing, it is fair neither to the German government nor the Bundesbank, both of which

have been extraordinarily indulgent about impediments to marriage.

In particular, they know that the world-be bride is depriving herself of a staple diet of cream buns in the hope of an early wedding. Understandably, they

worry about the restraints which will be thrown off as the sound of wedding bells fades away.

Peter D. Higgins, 82 rue des Sablons, 78750 Mareil-Marly, France

Bickering over car ad is not an answer

From Mr Clive J. Antoch.
Sir, I'm writing about the European manufacturer cited in your report "Ford infuriates rivals with Japanese ads" (January 31) as having missed the joke.

He's missed more than the joke. People in Japan shy away from this sort of unseemly public bickering, which means our spokesman friend has done

his employer a further disservice. There's another assumption that must be corrected. Ford was in Japan many years before European car companies ventured into this market. As a matter of fact, many early Japanese cars were modelled on Ford products.

What is possibly just another example of Euro-sour grapes

could well backfire if this sort of petty carping is brought to the attention of Japan's Fair Trade Commission. If European car companies want to sell their products to buyers in Japan, they should learn to do as Japan does.

Clive J. Antoch, Dreve Are on Ciel 21, B-6700 Arlon, Belgium

Social democracy still cornerstone in Europe

From Mr Christopher Haskins.
Sir, No doubt if Joe Rogaly had been grumbling that Adam Smith had all the big ideas, and in 1945 would have considered William Beveridge a boring old buffer, I might have agreed with him.

But he is too cute and cynical to believe in the virtue of intellectual magic powders, whether from the left or the right ("Right still calls the tune", January 27/29). It seems to me that social democracy and the concept of the welfare

state is still the cornerstone of all the European democracies, including the UK. The right, under Mrs Thatcher, tried to reverse this process, but on the really serious issues, like privatising the National Health Service, they had to back off. Despite the Conservatives' best endeavours, the state has continued to increase its tax revenues as a percentage of gross domestic product.

Although social democracy and the welfare state need to be reformed and modernised, they remain the big idea in

town - a bit old-fashioned and dreary, but largely intact. It is the gaudy intellectual right, seeking to reverse the tide of history which is in trouble. For rightwing excitement there is always Newt Gingrich, the born-again, and the social violence of the US - all a bit too much for most Europeans.

Christopher Haskins, chairman, Northern Foods, Beverley House, St Stephens Square, Hull, E Yorkshire, UK

Europa • Thomas Mayer

The key to lasting recovery

Structural reforms are necessary to ensure prolonged economic growth in Germany

The severe weakening of German economic activity towards the end of last year has finally triggered a policy response. The government has announced a programme to reverse the decline in business confidence by promising remedies for the most severe structural deficiencies hampering growth.

The Bundesbank seems to have been enlisted to back the government's efforts on the supply side by lowering official interest rates over time and working towards a depreciation of the D-Mark. Taken together, these measures may lay the ground for a recovery of business confidence and economic activity later this year.

However, the durability of the recovery will depend on successful implementation of the structural reforms. Should the government yield to political opposition, the likely upswing would be short-lived.

At the beginning of last year, the economy was hit by two unexpected shocks: wage growth accelerated sharply and the D-Mark jumped against the currencies of many of Germany's key trading partners. The wage shock signalled that the dynamics of labour cost increases were unaltered, destroying the hope for lasting wage moderation by German unions created during the 1994 wage round. At the same time, the exchange rate appreciation signalled that rising costs could not be passed on to prices. The result was a collapse of profit expectations and business confidence in 1995, a drop of private investment in the third quarter, and a decline in economic activity towards the end of the year. The rising risk of the structural crisis dragging gross domestic product down in 1996 - which



would make it virtually impossible to commence European monetary union in 1999 - has finally forced policymakers into action after a long period of procrastination. They now seem to be following a three-pronged strategy - structural reforms, lower interest rates and exchange rate devaluation. The government's programme for growth and employment - set out on Tuesday - addresses the business community's main concerns: high non-wage labour costs, high taxes and complex regulations.

Specifically, the government intends to continue the process of business tax reform and reduction in 1997 by eliminating taxes on the stock of capital and wealth, and by reducing other business taxes and the solidarity surcharge, which finances social security costs.

The 1997 tax changes are to be followed by a more comprehensive income tax reform after 1998, envisaged to combine a general reduction in tax rates with a cutback in tax deductions. Moreover, the government intends to facilitate the creation of new venture capital funds and to increase those funds now administered by Kreditanstalt für Wiederaufbau, a public-sector bank. It also intends to provide incentives for the creation of new enterprises, for instance by exempting them from taxation for the first three years.

early retirements, continuation of healthcare reform and a cut in unemployment benefits. For instance, unemployment compensation for more than a year is to be paid only to people aged 45 or older. The aim is to reduce social security contributions to less than 40 per cent of gross wages by 2000, and thus decrease non-wage labour costs. The government also intends to promote fixed-term contract employment and employment in private homes through greater flexibility of labour contracts and by granting tax incentives.

The government also wants to go ahead with further privatisation of businesses in which it has a stake, for example, Lufthansa, Telekom and airports. The remaining eastern German companies held by the successor of the Treuhandanstalt, the privatisation agency, are to be sold by the end of this year. Finally, the number of federal civil servants is to be reduced to the level before unification; and before the public sector offers any new service it will be scrutinised to see if it can be offered privately.

The measures, if successful, will contain production costs and strengthen growth in the medium term. However, to boost business confidence in the near term, additional measures are needed. Since the package was announced, the Bundesbank has cut the securities repurchase rate which guides short-term money mar-

ket rates, raising hopes for another cut in the discount and Lombard rates. In addition, Bundesbank officials believe the D-Mark is fundamentally overvalued especially against the US dollar and Italian lira. A consensus seems to have emerged between the governments and central banks of the US and Germany in favour of a stronger dollar.

There is a good chance that the German authorities' strategy will succeed. A recovery of business confidence in the first quarter of this year could lay the ground for a pick-up of investment and GDP growth from the second quarter.

If all goes well, the economy could register 1.5 per cent real GDP growth in 1996 and move towards 2 per cent in 1997. This would probably be sufficient to limit further increase in the budget deficit in 1996, and to allow a reduction of the deficit towards the limit of 3 per cent of GDP set in Maastricht for 1997. But the key to lasting recovery is successful implementation of the structural reforms. Without comprehensive supply-side measures, monetary policy stimulus and exchange rate depreciation would simply induce a short-lived bounce of activity, followed by higher inflation.

The biggest political hurdle is probably the resistance of the federal states in the Bundesrat, the upper house of parliament, to the 1997 tax cuts, which will lose them revenue of DM16bn. The federal government may have to find ways to compensate the states for these losses, possibly through an increase in the rate of value added tax in 1997 - although the government denies it has any such plans. The coming months will show whether the government is serious about reform, or whether it will yield to opposition from the politicians of all parties who support big government, as it unfortunately has often done before.

The author is senior economist at Goldman Sachs' Frankfurt office, and a former economist at the International Monetary Fund

FT-IT
Wednesday,
February 7.

Don't forget.

The February issue of FT-IT will provide a comprehensive assessment of government users of IT and in particular the trend towards outsourcing. Other sections examine the latest developments in network computing and software at work.

As usual, it will be essential reading for everyone involved in IT, whether as user or supplier. If you'd like to obtain back issues of FT-IT, or receive details of our FT-IT subscription service ring +44 171 538 8288. And don't forget Wednesday, February 7: a date for your database.

Financial Times.
World Business Newspaper.

مكتبة النور

Communists order removal of foreign brand advertising Vietnam sees signs of 'social evil'

By Jeremy Grant in Hanoi

Vietnamese police yesterday dismantled billboards and painted over advertisements for Sony, Kodak and other foreign goods as the government intensified a campaign against 'social evils and cultural poisons'.

'social evils' are prostitution, gambling, karaoke and advertising signs with prominent foreign brand names. Rules passed late last year to enhance the 'Vietnamese characteristics' of advertising make clear that English names on billboards must be smaller than Vietnamese lettering.

and a foreign ballet group tonight. But we have to fight against immoral things that may cause negative influences. One poster stuck to the back of a lorry in central Hanoi said: 'Protection against poisonous cultural items is the duty of all society.'

the official launch of the campaign which has already started to deprive hundreds of small businesses of income. The Communist party congress, likely to be held in June, is expected to review the economic reforms known as doi moi.

Russia agrees summit with Ukraine Primakov sends goodwill message to Kiev

By Matthew Kaminski in Kiev and Bruce Clark in London

Russia and Ukraine yesterday sought to paper over the deep divisions in their relationship, at top-level talks between Mr Yevgeny Primakov, Moscow's new foreign minister, and Mr Leonid Kuchma, Ukrainian president.

to bridge the gap between them on some fundamental issues, including the enlargement of the Nato alliance, and the closer integration of Ukraine into the Russian-dominated Commonwealth of Independent States.

mandated by Mr Yeltsin to seek closer ties with the other ex-Soviet republics. 'My instructions are to give priority to relations with the Commonwealth of Independent States,' he said after his talks with the Ukrainian government which has resisted Russian proposals for closer integration of the CIS.

deplored the fact that some of its representatives had opposed Russia's admission to the Council of Europe last month. Mr Primakov said the proposed enlargement of Nato threatened Russian interests, while his Ukrainian counterpart, Mr Hennadiy Udovenko, said Ukraine would not oppose an 'revolutionary expansion'.

Seychelles condemned over 'money launderers' charter

By George Graham, Banking Correspondent

International law enforcement officials yesterday publicly denounced the Seychelles government for a new law which they describe as a money launderers' charter.

may even get Seychelles diplomatic passports. Mr Ronald Noble, under-secretary for enforcement at the US Treasury and president of the taskforce, said the law allowed drug traffickers and other criminals to enjoy their spoils 'secure in the knowledge that the Seychelles authorities will protect them.'

The Seychelles finance ministry could not be contacted yesterday. Previously the government has insisted that its economic development act would not provide a haven for criminals, because all investment applications would be carefully vetted by a board headed by President France-Albert René.

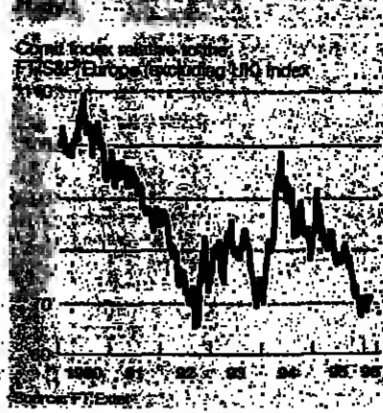
Index decline points to weakness

Continued from Page 1

interest rates by a quarter point to 5.25 per cent. It was the third cut since the Fed began to ease monetary policy last July. Many economists say short-term rates could fall as low as 4.5 per cent by this summer.

THE LEX COLUMN Italy's Mr Fix-it

FT-SE Eurotrack 200: 1670.6 (+8.9)



Mr Antonio Maccanico, Italy's 55th post-war prime minister, will need to live up to his nickname, 'the mechanic', if he is to complete the political reforms promised by his proposed government.

upward momentum of continental European bond markets, which benefited from yesterday's wave of cuts. But, while the French authorities may have some scope for unilateral action, this is limited by their concern for the franc.

Coface, France's dominant export credit insurer, and ACF, the French state-owned insurance group, controls just under 50 per cent of both SFAC and Coface. But Coface will not have access to TT's database either, the two companies will remain competitors.

Repsol Spain's government had a remarkable opportunity, and it has flunked it. Its offering of 11 per cent of Repsol is vastly oversubscribed, and the share price has risen sharply in recent days.

UK biotechnology

Yesterday's 24 per cent drop in Celltech's share price has injected some much-needed realism into the UK biotechnology sector. Stock market valuations had run far ahead of progress in the laboratory.

Trade Indemnity/SFAC

Trade Indemnity's long-suffering shareholders - most of them big insurers - must be relieved. For years they have patiently put up with an investment which has been patchy and illiquid.

Whether the deal makes sense for SFAC is much less clear. There is some benefit in putting the two companies together: SFAC's dominance of the French market should, for instance, give TI an edge when pricing risks for UK exports into France.

ROLLS-ROYCE

TRENT WINS \$475 MILLION ORDER FROM MALAYSIA

Malaysia Airlines has placed a \$475 million order with Rolls-Royce for Trent 800 aero engines to power its fleet of Boeing 777 aircraft.

The Malaysian flag carrier has placed a firm order for fifteen 777s with options on a further two aircraft and is the fifth airline to select the Rolls-Royce engine.

At 90,000lb thrust the Trent is the world's most powerful certificated engine and has now taken around 60% of the Boeing 777 business in the Asia Pacific region.

\$40 MILLION OVERHAUL CONTRACTS IN CANADA

Rolls-Royce Canada, one of North America's largest repair and overhaul facilities has just signed a number of major maintenance contracts.

The contracts - worth \$40 million - cover Tay engines in service with Executive Jet International on Gulfstream IV aircraft, RB211-535 engines for Canada 3000 Airlines on its Boeing 757s and Spey engines powering Fokker aircraft owned by Air ZI, a new Colombia-based airline.



Rolls-Royce plc, 65 Buckingham Gate, London SW1E 6AT

FT WEATHER GUIDE Europe today Conditions in western parts of the continent will change as a disturbance moves north. Cloud will increase and southern parts of the Benelux and most of Germany will have patches of snow.

مکان التعمیر